

FY22 REPORT ON THE AVAILABILITY OF COMMERCIAL INSURANCE

Taylor & Mulder has completed its report on the availability of commercial insurance in Missouri requested by the PSTIF Advisory Committee. A representative of Taylor & Mulder will attend Board meeting to present their findings and answer questions.

Board Action: Recommend trustees request the Advisory Committee distribute the report to the legislature as required by Section 319.131.2, RSMo.



Taylor & Mulder
Property and Casualty Consulting Actuaries

**Missouri Petroleum Storage Tank Insurance Fund
Report on Commercial Insurance
As of June 30, 2022**

September 2022



Taylor & Mulder
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September 14, 2022

Ms. Kelley Ogletree
Executive Director
Petroleum Storage Tank Insurance Fund
P.O. Box 836
Jefferson City, MO 65102

RE: Analysis on the Affordability and Availability of Commercial UST/AST Insurance as of June 2022

Dear Ms. Ogletree:

Enclosed is the report on the affordability and availability of commercial UST/AST insurance as of June 30, 2022.

The first section in the text of our report is the Executive Summary section. This section describes the purpose and scope of our report, provides background information on the PSTIF program history, and then provides our conclusions arising from our analysis. This section also explains the distribution and use of our report and provides the conditions and limitations underlying our work.

The second section of the text discusses the interviews held with UST/LUST regulators and private insurance carriers.

Please feel free to call if you have any questions regarding any aspect of our report.

Sincerely,

Daniel W. Lupton, FCAS, MAAA, CSPA, MBA

E. Tom Mulder, FCAS, MAAA, FCA

Enclosures

**Missouri Petroleum Storage Tank Insurance Fund
Report on Commercial Insurance
As of June 30, 2022**

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Executive Summary

Purpose and Scope

Taylor & Mulder, Incorporated (“T&M”) was requested by the Board of Trustees (“Board”) of the Missouri Petroleum Storage Tank Insurance Fund (“PSTIF”) to prepare a report on the affordability and availability of commercial insurance for underground storage tanks (“USTs”) and aboveground storage tanks (“ASTs”) in connection with RSMo 319.131.2 as of June 30, 2022. This report contains our summary, conclusions and recommendations along with a description of the analysis underlying our conclusions.

Specifically, T&M was asked by the board to conduct an analysis including the following tasks:

1. Review data on age and type of PSTIF-insured USTs and ASTs provided for FY21 actuarial analysis.
2. Select and interview UST and LUST regulators where commercial insurance is the predominant mechanism.
3. Select and interview insurance companies that write a significant number of UST policies. Request specimen policies and any information they are willing to share regarding premiums.
4. Identify insurers which are admitted carriers in one or more states; obtain specimen policies, declarations pages, and rates from state insurance regulators. Analyze coverage limits, deductibles, rates, and available underwriting criteria.
5. Compare findings from these document reviews and interviews with data on PSTIF-insured tank systems.

This report presents the results of those analyses. This report was prepared by Daniel W. Lupton, FCAS, MAAA, CSPA, MBA, Vice President and Consulting Actuary and Evelyn Toni Mulder, FCAS, MAAA, FCA, Principal and Consulting Actuary.

In accordance with the requirements of the Actuarial Standards of Practice in making statements of actuarial opinion, we provide the following statements:

I, Daniel W. Lupton, am an Officer and Consulting Actuary in the firm of Taylor & Mulder, Inc. I am a Fellow of the Casualty Actuarial Society in good standing and qualified to issue a Statement of Actuarial Opinion. I am also a Member of the American Academy of Actuaries.

Background

Missouri established the PSTIF in 1989 to assist owners/operators of underground storage tanks in meeting federal financial responsibility rules. In 1992, the PSTIF began offering insurance to underground tank owners/operators to pay for the costs associated with petroleum leaks and spills in the state of Missouri. The Missouri General Assembly has also expanded the role of the PSTIF to include paying for remediation of petroleum pollution from old sites meeting certain criteria and to include coverage for aboveground petroleum storage tanks systems.

In consideration of whether the PSTIF should be extended, the Missouri General Assembly considers developments in the commercial insurance market. In light of this, the Missouri Revised

Statutes Section 319.131.2 requires the PSTIF Advisory Committee to “report every two years to the general assembly on the availability and affordability of the commercial insurance market as a viable method of meeting the financial responsibilities required by state and federal law in lieu of the petroleum storage tank insurance fund...” This report was prepared to meet the requirements of this statute.

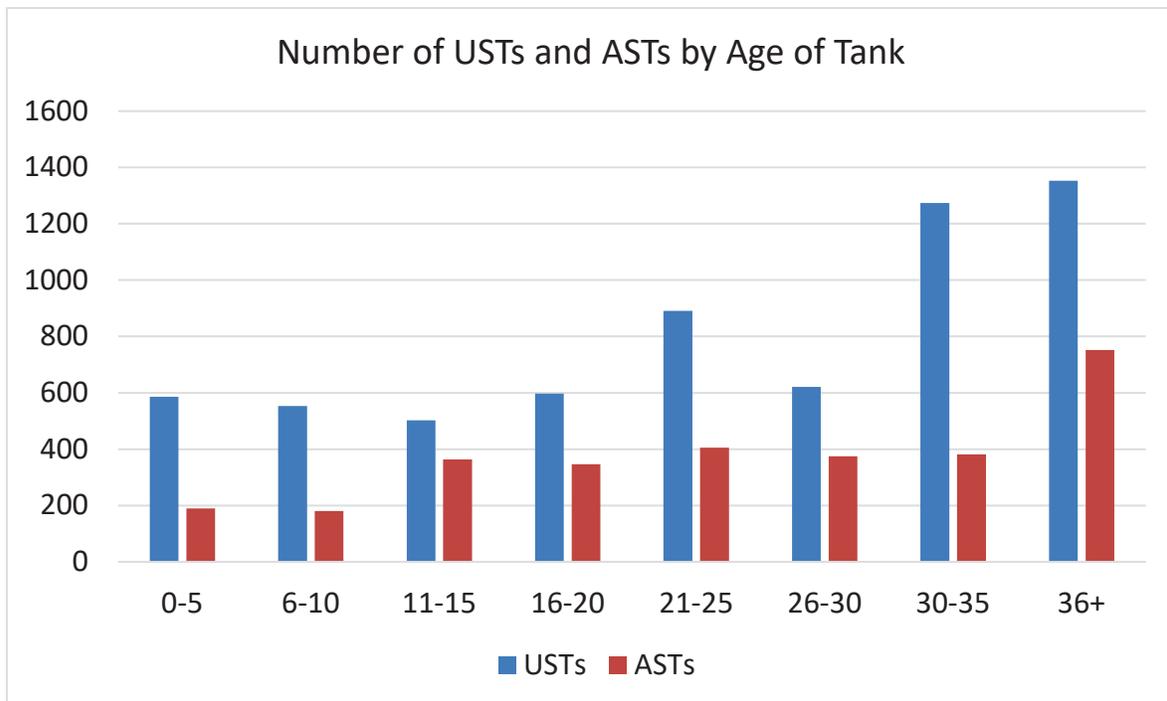
Conclusions

Availability of Commercial Insurance

As of June 30, 2022, 50.8% of all tanks insured by the PSTIF are 25+ years old or of unknown age, including:

- A. 52.8% of all PSTIF-covered USTs (3,368 out of a total 6,377 tanks) and
- B. 52.5% of all PSTIF-covered ASTs (1,571 out of a total 2,992 tanks)

These numbers reflect an increase over the previous study, in which 50.6% of USTs and 42.4% of ASTs were 25+ years old. The following histogram shows the distribution of ages of USTs and ASTs:



Commercial carriers providing coverage for petroleum storage tanks are typically willing to cover older tanks but may require additional premium and / or higher deductible levels. We would therefore anticipate that, compared with the previous study, the average cost of commercial insurance would have increased as a result of the increased average age of tanks covered by the PSTIF.

Therefore, T&M's conclusion with respect to the commercial insurance market that:

1. Commercial insurance would likely be available for all tank owners and operators in the state;
2. However, insurance may not be affordable for older tank systems, particularly those including tanks 25+ years old.

Affordability of Commercial Insurance

Under PSTIF, tank owners and operators are required to pay participation fees per tank based on the type of tank or the capacity, according to the following schedule:

Missouri Petroleum Storage Tank Insurance Fund Schedule of Tank Participation Fees	
Type of Tank	Participation Fee Per Tank
UST - Double-Walled	\$100
UST - Single-Walled	\$125
AST < 25,000 Gallons	\$100
AST > 25,000 Gallons	\$200
New Tank Fee (First Year Only)	\$100

The remainder of the needed funds for the PSTIF is derived from the Transport Load Fee ("TLF") which is charged at a variable rate per 8,000 gallons to transporters of petroleum products. The TLF rate, currently \$28.00, can vary between \$20.00 and \$60.00.

Transport load fees subsidize the cost of coverage. As a result, tank owners and operators pay a nearly flat fee with respect to risk, meaning that high-risk and low-risk tank systems pay nearly identical participation fees.

In contrast to these fees, commercial insurance uses risk-based pricing. In this method, tank owners and operators must pay an amount based on the risk that losses will occur from a similar tank system, adjusted to also include insurance company overhead expenses and a profit margin. Under commercial insurance mechanisms, tank owners and operators would bear the full price of the risk directly, as commercial insurance companies do not collect transport load fees. Consequently, commercial insurance premiums are typically much higher than PSTIF participation fees.

For example, a policy issued under the Great American Insurance Company rating plan (see Appendix C) would be subject to a base rate of \$750 per UST. This base rate is modified by several rating factors representing different risk characteristics. The following three tables show the rating factors for capacity, age of tank, and construction.

Capacity	Factor
1 – 1,000 gallons	0.90
1,001 – 5,000 gallons	1.00
5,001 – 10,000 gallons	1.25
10,001 – 20,000 gallons	1.50
20,001 – 30,000 gallons	2.00

Age	Factor
0 – 10 years	1.00
11 – 15 years	1.25
16 – 20 years	1.50
21 – 25 years	1.75
26 – 30 years	2.50
31 – 35 years	4.00

Construction	Factor
Single-Walled Fiberglass	1.15
Double-Walled Fiberglass	1.00
Single-Walled Steel with Cathodic Protection	1.15
Single-Walled Steel no Cathodic Protection	1.50
Steel with Fiberglass Reinforced Plastic Containment	0.90
Double-Walled Steel	0.80

Based on the rates charged by this carrier for \$1 million of coverage with a \$10,000 deductible, a double-walled fiberglass tank with a 10,000 gallon capacity that is 25 years old would cost \$1,265.63 to insure¹. Assuming an average of 2.5 insured USTs per site, this amounts to an annual premium of \$3,164.06 through commercial insurance compared to the current PSTIF rate of \$250 (\$100 per tank multiplied by 2.5 tanks per site).

The following chart compares PSTIF and Commercial premiums for 3 tanks at a variety of ages:

¹ Calculated as $\$750 \times 1.000 \times 1.250 \times 0.900 \times 1.500$, where the 1.000 factor represents the double-walled fiberglass construction, the 1.500 factor represents the age of tank, the 1.250 factor represents the capacity, and the 0.900 factor represents the \$10,000 deductible.

Tank Construction:	Fiberglass, Double-Walled
Capacity:	10,000 gallon
Limit of Liability:	\$1 million
Deductible:	\$10,000
Number of Tanks:	3

Age of Tanks	PSTIF Out-of-Pocket Premium	Example of Commercial Premium
5.0	\$375	\$2,278
12.5	\$375	\$3,164
18.0	\$375	\$3,797
23.0	\$375	\$4,430
28.0	\$375	\$6,328
33.0	\$375	\$10,125

There are other rating variables in the Great American rating package that might further reduce the cost per tank depending on specific circumstances. Still, this type of increase in out-of-pocket expense may be deemed unaffordable by some Missouri tank owners, particularly the smaller one-site retailers.

Report Distribution and Use

This report has been prepared for internal use by the management of PSTIF, their accountants, auditors, and attorneys. Given that this report was prepared for the PSTIF to satisfy statutory reporting requirements, information from this report may be provided to the legislators and the governor.

Other distribution or use of this report by the PSTIF management or related parties described above is not authorized without the prior written permission of Taylor & Mulder, Incorporated. The PSTIF is not authorized to include this report in any marketing or request for proposal solicitations. In addition, it should be understood that T&M consultants are available to respond to any questions by authorized third parties with respect to this report.

Conditions and Limitations

T&M relied without audit or verification on historical loss, loss adjustment expense, exposure data, and other information provided by the PSTIF and its employees. T&M has relied upon the data provided and on the oral and/or written statements made regarding the quality, accuracy, and completeness of the data and information supplied. Any inaccuracies or inconsistencies in the data could have a significant effect on the conclusions drawn.

Should any inaccuracies be found in the data, T&M should be notified immediately so that the analysis can be adjusted accordingly.

The analysis in this report was limited to the items noted in the scope of this project. This report does not include an examination of the assets of the PSTIF, nor did we form any opinion as to the value or validity of the assets. This report does not include a review or analysis of any income statement or other balance sheet items.

This report is limited in scope to the affordability and availability of private insurance in Missouri as of the evaluation date of the report.

This report was prepared for use by persons technically competent in insurance financial matters. Persons receiving this report should be made aware of the availability of T&M. personnel to answer questions and/or amplify on any matter addressed therein.

Interviews

Taylor & Mulder attempted to contact several UST/LUST regulators and commercial insurance companies to conduct interviews. Not all regulators or commercial insurance companies responded.

UST/LUST regulators were selected to partially overlap with regulators contacted during the previous study while adding new agencies that had not previously been contacted. Regulators contacted include:

- Iowa
- Kentucky
- Minnesota
- Montana
- South Dakota
- New Jersey

Not all states contacted provided responses.

Commercial insurance companies were identified based on a “List of Known Insurance Providers for Underground Storage Tank Owners and Operators” promulgated by the EPA. Companies contacted include:

- AIG TankGuard Insurance Program
- Allied World Assurance Company
- Amwins Program Underwriters, Inc.
- Argo Environmental
- Berkley Environmental
- Century Surety Insurance
- Chubb
- Crum & Forster, Environmental Division
- Freberg Environmental, Inc.
- Great American Insurance Group, Environmental Division
- Ironshore
- Mid-Continent Group
- Petroleum Marketers Management Insurance Company (PMMIC)
- Prime Insurance Company

Of those contacted, seven commercial insurance companies provided responses. The responses, collected below, are anonymized.

Regulators

Prior studies identified potential issues with affordability and availability of insurance in other states, particularly due to problems of an aging tank population. This is consistent with responses by regulators in the present study. For example, one state noted that the average age of underground storage tanks in the state was 25.35 years old. This could curtail potential expansion of the role of private insurance. Some states have opted to address the challenge of an aging tank population

with regulations requiring older tanks to be removed or replaced, while others have addressed it through grant programs or loans. In some instances, states do not have such programs in spite of these concerns.

States vary in their approach to the private sector. Some states had little private insurance participation, while others used private insurance as the primary FR mechanism. Of those that used private insurance, some relied on the marketplace to regulate the affordability and availability of proper insurance and reasonable coverage, while others took a more hands-on approach.

Some states expressed concern about potential for claims to be denied. Causes for claim denials include policy retro dates, commingled contamination from unknown sources, or failure of tank owners and operators to notify the insurer of a suspected leak in the prescribed timeframe.

Some states expressed unique concerns about underground storage tanks in their states. One state noted that due to the prevalence of biofuels in that state, a chief concern was ensuring the compatibility of tank equipment with fuel types. Another state noted that the state had no minimum standards for private insurance, so it was possible to buy private insurance that did not meet minimum federal standards for financial responsibility. This issue was not adequately understood by agents or tank owners and operators, leading to potential issues for those who relied on private insurance.

Carriers

Compared with the previous analysis, the list of providers of UST coverage promulgated by the EPA has shrunk from 16 commercial insurance companies to 14. This continues a trend of consolidation in the industry identified during the previous study, where we noted that some longtime providers of UST coverage were no longer writing policies.

The carriers varied in their approach to the marketplace. Some are more willing to offer coverage to older tanks, while others are more cautious. Those interviewed did not require Phase II site assessments, but some may recommend them or require other tests. The following charts provide a summary of some of the responses:

Anonymized Company	Company A	Company B	Company C	Company D	Company E	Company F	Company G
Write in MO?	X	X	X	X	X	X	No but writes in other states
Policy exclusions such as voluntary tank removal	No	No	No	Yes	No, but reporting requirement	No	No
Market Type							
Admitted			X				X
Excess & Surplus	X	X	X	X	X	X	X
Risk Factors Used for Rating							
Age of Tank or Piping	X	X	X	X	X	X	X
Type of Tank or Piping	X	X		X	X	X	X
Size of Tank	Above ground only	X	X	X	X	Yes, at 50,000 gal capacity	X
Throughput of tank system	X	X	X		Look at capacity more than throughput		Not directly
Type of leak detection equipment	X	X	X	X	X	X	X
Whether tank is retrofitted with cathodic protection or lining	X	They don't consider lining, but disclosed that other carriers consider the lining date	X	X	X	Must meet UL-1856	X

Anonymized Company	Company A	Company B	Company C	Company D	Company E	Company F	Company G
Number of tank systems owned/operated by applicant	X	X	X	X	X		Multi-facility discount possible in some jurisdictions if there is a reduced aggregate risk
Number of dispensers	No, but tanks, yes						X
Proximity to populated areas or to drinking water wells	They look to see if tank is near a body of water	X			Water wells, not population	No but looked at in underwriting	
Soil / geological setting	X				X		
Financial soundness of applicant	X	X	X	X	X	Only if requesting deductible of \$50k or larger	
Extent of business relationship w/ applicant					Considered		

Company A	Company B	Company C	Company D	Company E	Company F	Company G
Anonymized Company				# of locations, # of tanks, year installed, capacity, tank wall, tank construction, contents, overflow protection (leak detection), retroactive dates, specific tank deductibles (if a tank has 1000 deductible, don't ask a lot of info), piping questions		
Other						
Underwriting Issues						
Difficult to get coverage if you have a 25-year-old UST?	Yes, older tank = more exposure = more expensive	Yes, but can depend on if tank has been well taken care of	No	No	No	No
Phase II site assessment required?	Depends but usually just phase I required	No	No	No but require tank tightness test	No	Recommended, not required

Anonymized Company	Company A	Company B	Company C	Company D	Company E	Company F	Company G
Physical inspection of premises required?	No, but updated testing done by third party required	No	No, but may ask or pictures	No	No	No	In some jurisdictions
Do you have a lot of releases with unknown sources of contamination or commingled old contamination?	Not that he's seen but could exist	Said he couldn't answer this as it is the largest unknown thing they deal with. Mentioned that this information could be pulled from the EPA website.	Uncertain	No	No	See a lot of contamination with tank pulls but can't determine where it came from	Yes, majority of releases have unknown source/cause
Coverage for ASTs	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Coverage for USTs	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Underwriting criteria the same for AST/UST	Aging capacity and size of tank is different, otherwise same	Similar	Little different due to less exposure for AST	Yes	Essentially	Yes	No
Any recent changes to policy language?	No	No	No, admitted product	No, but have a new policy form pending	No	No	No

Company	Company A	Company B	Company C	Company D	Company E	Company F	Company G
Anonymized Company							
Had people moving up their retro dates who are then unable to obtain coverage for a leak?	Not seen	Not sure	Not seen	No	No – “people don’t move their retro dates”	If they have a retro date, will honor 10 years of that. For renewal, don’t limit retro date.	No
Reductions to coverage like self-insured retentions?	Deductible based	No. FIRs are not allowable under financial responsibility	Write only on deductible basis	No	Yes – always have the ability to reduce coverage depending on the situation	No	SIRs are allowed for retroactive coverage
Deductible Options	Yes depending on age of tanks	Yes	Yes	Yes	Yes – limitless options from 0 to multi-million	Yes - \$5000, \$10,000, and \$25,000. \$50k and \$100k exist and require financial	\$10,000 is standard
Does claim frequency affect U/W or renewal decisions?	Hard to answer, case by case basis	Yes on particular account basis	No but severity may	Yes	Yes – on account basis and book basis	Yes	No

Appendix A provides the individual responses to all interview questions by each company. **Appendix C** includes a Missouri rate/rule schedule and form schedule of Great American Insurance Company, filed with the Missouri Department of Insurance on October 22, 2020 and effective starting February 1, 2021. This filing was reviewed and closed by the Department of Insurance, meaning that the rates went into effect as requested.

Appendix A – Interview Questions for UST/LUST Regulators

The following pages contain the interview questions and responses for UST/LUST regulatory agencies.

Iowa

1. If applicable, what percent of tank owners and operators have private tank insurance in the state? *100% private or self-insured.*
2. Can you summarize how the State relates to the private insurance market? E.g., does the State provide its own Financial Responsibility (FR) / insurance mechanism? Does the State just provide excess coverage? Grants? Loans? *Nothing like that.*
3. Who are the major providers of UST insurance in the State? *PMMIC has maybe 90% of the market, with the balance being self-insured or maybe Great American (though unsure)*
 - a. Do you review the contracts / policy forms? *No*
 - b. What about policy exclusions, such as for voluntary tank removal? *No*
 - c. What endorsements would you like to see available to your tank owners? *It's really up to the insurer.*
 - d. Are these policies written in the admitted or E&S markets?
4. Do you see any particular issues in your State in terms of tank owners and operators not being able to get coverage or not being able to afford it? *No such issues to my knowledge*
 - a. Any major issues you see in the pipeline in terms of availability?
 - b. Any major issues you see in the pipeline in terms of affordability?
5. Do you see a lot of denials of coverage for owners or operators with commercial insurance? *Not sure.*
 - a. If so, do you know the major causes of denials?
 - i. Retro date issues?
 - ii. Unknown source of contamination? *Yes, on at least one.*
 - iii. Other?
 - b. Does the State step in if there is a denial? *Yes.*
6. Many States seem to have the problem of an aging tank population, and it is our understanding that older tanks are often more expensive (if not impossible) to insure.
 - a. Do you keep track of the age of tanks in your State? *Yes.*
 - b. Do you keep track of the types of tanks (double v single wall, steel v fiberglass, lined v unlined, etc.) *Yes.*
 - c. Do you have any other issues like these? *Nothing in particular.*
 - d. Any special concerns not addressed by the current commercial insurance market? *No.*
7. We were informed that some States are seeing reductions in coverage to insureds, such as self-insured retentions or changing retroactive dates on policies that can limit whether a

release is covered and the amount that might be reimbursed. Do you see these at all in your State? *Not aware it.*

Kentucky

1. If applicable, what percent of tank owners and operators have private tank insurance in the state? *Probably <1% have private insurance or self-insurance; almost everyone is insured through state fund.*
2. Can you summarize how the State relates to the private insurance market? E.g., does the State provide its own Financial Responsibility (FR) / insurance mechanism? Does the State just provide excess coverage? Grants? Loans? *Nothing like that. We'd like to!*
3. Who are the major providers of UST insurance in the State? *State fund.*
 - a. Do you review the contracts / policy forms?
 - b. What about policy exclusions, such as for voluntary tank removal?
 - c. What endorsements would you like to see available to your tank owners?
 - d. Are these policies written in the admitted or E&S markets?
4. Do you see any particular issues in your State in terms of tank owners and operators not being able to get coverage or not being able to afford it? *No limitations; as long as they're eligible, they can get covered. Out of compliance, 3rd party covge for first 30 days, in complinaec you get full 3rd party coverage.*
 - a. Any major issues you see in the pipeline in terms of availability?
 - b. Any major issues you see in the pipeline in terms of affordability?
5. Do you see a lot of denials of coverage for owners or operators with commercial insurance? *Not in years. Our eligibility rules have changed over the years. Currently everyone is let in if they submit documentation.*
 - a. If so, do you know the major causes of denials?
 - i. Retro date issues?
 - ii. Unknown source of contamination?
 - iii. Other?
 - b. Does the State step in if there is a denial?
6. Many States seem to have the problem of an aging tank population, and it is our understanding that older tanks are often more expensive (if not impossible) to insure.
 - a. Do you keep track of the age of tanks in your State? *We don't have any new data, but we have a significant number of tanks that are past 30 years.*
 - b. Do you keep track of the types of tanks (double v single wall, steel v fiberglass, lined v unlined, etc.) *Yes.*
 - c. Do you have any other issues like these? *There isn't really any ONE thing. We have releases from fiberglass tanks, double-walled tanks. We have releases during the installation. It's varied across the state.*
 - d. Any special concerns not addressed by the current commercial insurance market?

7. We were informed that some States are seeing reductions in coverage to insureds, such as self-insured retentions or changing retroactive dates on policies that can limit whether a release is covered and the amount that might be reimbursed. Do you see these at all in your State? *N/A*

Minnesota

1. If applicable, what percent of tank owners and operators have private tank insurance in the state? *All USTs are covered by Petrofund, though owners and operators can purchase additional coverage if they so choose. Petrofund covers up to 90% of cost of cleanup, but that can be reduced based on compliance history.*
2. Can you summarize how the State relates to the private insurance market? E.g., does the State provide its own Financial Responsibility (FR) / insurance mechanism? Does the State just provide excess coverage? Grants? Loans? *We do not particularly give grants. We have some grants through Agriculture to support getting equipment that is compatible with higher ethanol blends. MN is #1 state in nation for biofuels, so equipment compatibility is a big issue.*
3. Who are the major providers of UST insurance in the State? *n/a*
 - a. Do you review the contracts / policy forms?
 - b. What about policy exclusions, such as for voluntary tank removal?
 - c. What endorsements would you like to see available to your tank owners?
 - d. Are these policies written in the admitted or E&S markets?
4. Do you see any particular issues in your State in terms of tank owners and operators not being able to get coverage or not being able to afford it?
 - a. Any major issues you see in the pipeline in terms of availability? *n/a*
 - b. Any major issues you see in the pipeline in terms of affordability? *No.*
5. Do you see a lot of denials of coverage for owners or operators with commercial insurance? *There are some cases where full coverage is denied, all because of compliance issues. Most cases where that happens, the coverage amount is reduced by just a small amount. In way less than 1% of cases, this results in complete denial of coverage, but that is very rare.*
 - a. If so, do you know the major causes of denials?
 - i. Retro date issues?
 - ii. Unknown source of contamination?
 - iii. Other?
 - b. Does the State step in if there is a denial?
6. Many States seem to have the problem of an aging tank population, and it is our understanding that older tanks are often more expensive (if not impossible) to insure.
 - a. Do you keep track of the age of tanks in your State? *Yes. Average age is 25.35 years as of March 2022. So age of tanks is of some concern.*
 - b. Do you keep track of the types of tanks (double v single wall, steel v fiberglass, lined v unlined, etc.) *Yes*
 - c. Do you have any other issues like these? *No.*

- d. Any special concerns not addressed by the current commercial insurance market?
n/a
7. We were informed that some States are seeing reductions in coverage to insureds, such as self-insured retentions or changing retroactive dates on policies that can limit whether a release is covered and the amount that might be reimbursed. Do you see these at all in your State? *n/a*

Montana

1. If applicable, what percent of tank owners and operators have private tank insurance in the state?

0.5% to 1% rely on insurance exclusively to cover for their tanks versus in combination with the fund. One big owner uses private insurance to cover excess over the \$1 million coverage offered by the fund. However, some owners rely on both the fund and insurance.

The state provides incentives for the owners to have private insurance. If you have insurance, you can use insurance to cover your copay for the state fund, and the state will help with the deductible on the insurance, so you can perform a cleanup for \$0 out of pocket.

Some owners don't have SIRs, some have small deductibles, some have large.

That's not the case for big multi-state companies. They just write all their facilities together because they write in multiple states.

Because the "big fish" gas stations are eating the "little fish" in the state, we're seeing more insurance utilization.

Post-COVID, population is growing quickly. Consequently, companies are looking at MT as a potential market. This includes large gas station companies and insurers.

Mom & Pops generally don't have private insurance.

2. Can you summarize how the State relates to the private insurance market? E.g., does the State provide its own Financial Responsibility (FR) / insurance mechanism? Does the State just provide excess coverage? Grants? Loans?

Nothing for grants / loans. Fund has a surplus, so they're looking at providing assistance with closures, upgrading tanks near critical aquifers, or doing more frequent inspections (currently on a 3-year cycle, paid by owner; looking at state paying for inspections every year).

3. Who are the major providers of UST insurance in the State?

We do not have many private insurance holders in Montana. As such, the Fund is what most people choose to use. However, since we do require coverage for the \$17,500.00

copy, some owners choose a private insurance for that portion. These are typically small, local insurance agents who use the E&S market insurers. I am not aware of any admitted insurers in Montana that cover UST's. These are typically for schools and municipalities.

- a. Do you review the contracts / policy forms? *We do not review contracts or policy forms except to ensure that the coverage amount is correct and that it states that it covers underground tank systems. Mostly we check for exclusions to the underground tanks and pollution liability.*
 - b. What about policy exclusions, such as for voluntary tank removal? *We do not review for voluntary tank removal.*
 - c. What endorsements would you like to see available to your tank owners? *We would like to see pollution endorsements available, but do not favor mandatory endorsements.*
 - d. Are these policies written in the admitted or E&S markets? *Almost all of the private insurance in Montana is in the excess and surplus market.*
4. Do you see any particular issues in your State in terms of tank owners and operators not being able to get coverage or not being able to afford it?
- a. Any major issues you see in the pipeline in terms of availability?
 - b. Any major issues you see in the pipeline in terms of affordability?

Not really – if they can't afford private insurance then they're in the petrofund. Mom & Pop stores have difficulty affording insurance because their revenue stream isn't big enough, as the population isn't large enough where they are.

There are two issues with people getting insurance: (1) the petrofund is very "easy" to access and (2) there's an education issue, like most umbrella coverage excludes pollution... so you need to have educated owners and educated agents.

There are some smaller fish (or medium fish) that have a little bit more understanding – local farmer's co-ops – because they're handling a lot of other substances (pesticides & herbicides & fertilizers, etc.) and so petroleum gets rolled in with their insurance. Typically they get a modified umbrella to remove the typical policy exclusion.

5. Do you see a lot of denials of coverage for owners or operators with commercial insurance?
- a. If so, do you know the major causes of denials? *Retro, unknown sources, failure of notification; however, for MT there are so few that have insurance that the denial isn't frequent enough to be able to make a statistically significant analysis.*
 - i. Retro date issues?
 - ii. Unknown source of contamination?
 - iii. Other?
 - b. Does the State step in if there is a denial? *Yes.*
6. Many States seem to have the problem of an aging tank population, and it is our understanding that older tanks are often more expensive (if not impossible) to insure.

- a. Do you keep track of the age of tanks in your State? *Yes*
- b. Do you keep track of the types of tanks (double v single wall, steel v fiberglass, lined v unlined, etc.) *Yes*
- c. Do you have any other issues like these? *Whether tank is in a high-risk zone, whether tanks are compartment tanks & how many compartments, pipe material*
- d. Any special concerns not addressed by the current commercial insurance market?

Missoula has an aquifer, but it's shallow and they only have one, so it's beneficial to assess the type of tank and age of the tank against the risk posed by a potential release.

MT doesn't keep track ASTs as much.

7. We were informed that some States are seeing reductions in coverage to insureds, such as self-insured retentions or changing retroactive dates on policies that can limit whether a release is covered and the amount that might be reimbursed. Do you see these at all in your State?

We haven't been tracking these issues.

One issue that we are seeing is that the state has not established minimum standards of coverage, so it is possible to purchase private insurance that does not meet coverage requirements.

As the state turns its attention to insurance, the insurance commissioner needs to establish a minimum state standard for what insurance has to be in the state for UST insurance companies, so the owners of gas stations can be guaranteed that they'll have the minimum state requirement.

So one requirement for moving from a state fund to insurance is to make a minimum standard.

Appendix B – Interview Questions and Responses for Commercial Insurance Companies

The following pages contain the interview questions and responses for anonymized commercial insurance companies.

Company A

1. Do you currently write coverage in Missouri for underground and/or aboveground storage tanks? - *Yes*
 - a. If you used to write coverage in Missouri but no longer do so, why do you no longer write there? - *NA*
 - b. Do you still write USTs or ASTs in other states? - *NA*
2. Do you have policy exclusions, such as for voluntary tank removal? - *No*
3. Do you write policies in the admitted or excess & surplus markets? – *Surplus lines*
4. In some states, some tank owners have some pretty old tank systems for which they have trouble getting coverage (or for which coverage is pretty expensive). Do you rate tank systems on the basis of:
 - a. Age of tank or piping - *Yes*
 - b. Type of tank or type of piping (steel, fiberglass, plastic) - *Yes*
 - c. Size of tank – *Generally yes for above ground, no for below ground.*
 - d. Throughput of tank system - *Yes*
 - e. Type of leak detection equipment - *Yes*
 - f. Whether tank is retrofitted with cathodic protection or lining - *Yes*
 - g. Number of tank systems owned/operated by applicant - *Yes*
 - h. Number of dispensers – *No, but tanks yes.*
 - i. Proximity to populated areas or to drinking water wells – *Yes and no, they look to see if the tank is near a body of water.*
 - j. Soil / geological setting - *Yes*
 - k. Financial soundness of applicant - *Yes*
 - l. Extent of business relationship with applicant - *No*
 - m. Anything else? - *No*
5. Would it be difficult to get coverage if you had a 25-year-old UST? – *As the tanks get older it is more expensive. The more exposure, the more difficult it is to get coverage.*
6. Do you require a phase II site assessment or similar study to determine if there's pre-existing pollution before you issue coverage? – *Depends on if they had prior release or not, usually require phase I though.*
 - a. What about a physical inspection of the premises? – *No, but require updated testing to be done by third party.*
7. Do you have a lot of releases with unknown sources of contamination or commingled old contamination? – *Not that he's seen, but notes that it could exist.*
8. Do you offer coverage for ASTs or just USTs? - *Yes*
 - a. Are the underwriting criteria the same? – *Aging capacity and size of tank is different, but otherwise it's the same.*
9. Any recent changes to policy language? - *No*

- a. Have you had people moving up their retro dates who are then unable to obtain coverage for a leak? – *Not seen it*
 - b. Reductions to coverage like self-insured retentions? – *Deductible based*
 - c. Do you offer deductible options? – *Yes, depending on the age of the tanks.*
10. Does claim frequency affect u/w or renewal decisions? – *Hard to answer, as it is considered on a case by case basis.*
11. Would you be able to e-mail us a copy of a policy for UST coverage? – *They have to check with legal as they deal only with brokers. I have sent them an email.*
12. Would you be able to e-mail us a copy of the rate manual? – *Would not be able to.*

Company B

1. Do you currently write coverage in Missouri for underground and/or aboveground storage tanks? - *Yes*
 - a. If you used to write coverage in Missouri but no longer do so, why do you no longer write there? - *NA*
 - b. Do you still write USTs or ASTs in other states? - *NA*
2. Do you have policy exclusions, such as for voluntary tank removal? - *No*
3. Do you write policies in the admitted or excess & surplus markets? – *Excess & surplus*
4. In some states, some tank owners have some pretty old tank systems for which they have trouble getting coverage (or for which coverage is pretty expensive). Do you rate tank systems on the basis of:
 - a. Age of tank or piping - *Yes*
 - b. Type of tank or type of piping (steel, fiberglass, plastic) – *Yes*
 - c. Size of tank - *Yes*
 - d. Throughput of tank system - *Yes*
 - e. Type of leak detection equipment – *Yes*
 - f. Whether tank is retrofitted with cathodic protection or lining – *They don't consider lining, but disclosed that other carriers consider the lining date.*
 - g. Number of tank systems owned/operated by applicant - *Yes*
 - h. Number of dispensers - *No*
 - i. Proximity to populated areas or to drinking water wells - *Yes*
 - j. Soil / geological setting - *No*
 - k. Financial soundness of applicant - *Yes*
 - l. Extent of business relationship with applicant – *When it comes to underwriting criteria the answer is NO. They were a little unclear with this response. They stated no but also said they are aware who they are in contact with, whether that is an agent or an insured. – I think he was a bit confused by the question.*
 - m. Anything else? - *No*
5. Would it be difficult to get coverage if you had a 25-year-old UST? – *It depends but yes, they insure old tanks if the Insured's can show that the tank has been well taken care of. Stated not everyone is retail in MO.*
6. Do you require a phase II site assessment or similar study to determine if there's pre-existing pollution before you issue coverage? - *No*
 - a. What about a physical inspection of the premises? - *No*

7. Do you have a lot of releases with unknown sources of contamination or commingled old contamination? – *Said he couldn't answer as this as it is the largest unknown thing they deal with. Mentioned that this information could be pulled from the EPA website.*
8. Do you offer coverage for ASTs or just USTs? - *Both*
 - a. Are the underwriting criteria the same? – *Similar, did not disclose exact differences.*
9. Any recent changes to policy language? - *No*
 - a. Have you had people moving up their retro dates who are then unable to obtain coverage for a leak? – *Not sure.*
 - b. Reductions to coverage like self-insured retentions? – *No, FIRs are not allowable under financial responsibility*
 - c. Do you offer deductible options? - *Yes*
10. Does claim frequency affect u/w or renewal decisions? – *Yes, on particular account basis. Stated this was used as underwriting criteria.*
11. Would you be able to e-mail us a copy of a policy for UST coverage? – *Yes, email has been sent and waiting on response.*
12. Would you be able to e-mail us a copy of the rate manual? – *No, don't because they are not an admitted carrier.*

Company C

1. Do you currently write coverage in Missouri for underground and/or aboveground storage tanks? - *Yes*
 - a. If you used to write coverage in Missouri but no longer do so, why do you no longer write there? - *NA*
 - b. Do you still write USTs or ASTs in other states? - *NA*
2. Do you have policy exclusions, such as for voluntary tank removal? - *No*
3. Do you write policies in the admitted or excess & surplus markets? - *Both*
4. In some states, some tank owners have some pretty old tank systems for which they have trouble getting coverage (or for which coverage is pretty expensive). Do you rate tank systems on the basis of:
 - a. Age of tank or piping - *Yes*
 - b. Type of tank or type of piping (steel, fiberglass, plastic) - *No*
 - c. Size of tank - *Yes*
 - d. Throughput of tank system - *Yes*
 - e. Type of leak detection equipment - *Yes*
 - f. Whether tank is retrofitted with cathodic protection or lining - *Yes*
 - g. Number of tank systems owned/operated by applicant - *Yes*
 - h. Number of dispensers - *No*
 - i. Proximity to populated areas or to drinking water wells - *No*
 - j. Soil / geological setting - *No*
 - k. Financial soundness of applicant - *Yes*
 - l. Extent of business relationship with applicant - *No*
 - m. Anything else? - *No*
5. Would it be difficult to get coverage if you had a 25-year-old UST? - *No*
6. Do you require a phase II site assessment or similar study to determine if there's pre-existing pollution before you issue coverage? - *No*
 - a. What about a physical inspection of the premises? – *No, but may ask for pictures.*

7. Do you have a lot of releases with unknown sources of contamination or commingled old contamination? – *Uncertain.*
8. Do you offer coverage for ASTs or just USTs? - *Both*
 - a. Are the underwriting criteria the same? – *It's a little different as there is less exposure for AST.*
9. Any recent changes to policy language? – *No, stated it is an admitted product.*
 - a. Have you had people moving up their retro dates who are then unable to obtain coverage for a leak? – *Not seen it be an issue.*
 - b. Reductions to coverage like self-insured retentions? – *Write only on deductible basis.*
 - c. Do you offer deductible options? - *Yes*
10. Does claim frequency affect u/w or renewal decisions? – *No, severity may though.*
11. Would you be able to e-mail us a copy of a policy for UST coverage? – *Policy forms can be found online.*
12. Would you be able to e-mail us a copy of the rate manual? – *Not able to do that.*

Company D

1. Do you currently write coverage in Missouri for underground and/or aboveground storage tanks? - *Yes*
 - a. If you used to write coverage in Missouri but no longer do so, why do you no longer write there? - *NA*
 - b. Do you still write USTs or ASTs in other states? - *NA*
2. Do you have policy exclusions, such as for voluntary tank removal? - *Yes*
3. Do you write policies in the admitted or excess & surplus markets? – *Only excess & surplus*
4. In some states, some tank owners have some pretty old tank systems for which they have trouble getting coverage (or for which coverage is pretty expensive). Do you rate tank systems on the basis of:
 - a. Age of tank or piping - *Yes*
 - b. Type of tank or type of piping (steel, fiberglass, plastic) - *Yes*
 - c. Size of tank – *Yes*
 - d. Throughput of tank system - *No*
 - e. Type of leak detection equipment - *Yes*
 - f. Whether tank is retrofitted with cathodic protection or lining - *Yes*
 - g. Number of tank systems owned/operated by applicant - *Yes*
 - h. Number of dispensers – *No*
 - i. Proximity to populated areas or to drinking water wells – *No*
 - j. Soil / geological setting - *No*
 - k. Financial soundness of applicant - *Yes*
 - l. Extent of business relationship with applicant - *No*
 - m. Anything else? - *No*
5. Would it be difficult to get coverage if you had a 25-year-old UST? – *No*
6. Do you require a phase II site assessment or similar study to determine if there's pre-existing pollution before you issue coverage? – *No*
 - a. What about a physical inspection of the premises? – *No*
7. Do you have a lot of releases with unknown sources of contamination or commingled old contamination? – *No*

8. Do you offer coverage for ASTs or just USTs? - *Both*
 - a. Are the underwriting criteria the same? – *Yes*
9. Any recent changes to policy language? – *No, but have a new policy form pending*
 - a. Have you had people moving up their retro dates who are then unable to obtain coverage for a leak? – *No*
 - b. Reductions to coverage like self-insured retentions? – *No – very rare*
 - c. Do you offer deductible options? – *Yes*
10. Does claim frequency affect u/w or renewal decisions? – *Yes*
11. Would you be able to e-mail us a copy of a policy for UST coverage? – *No*
12. Would you be able to e-mail us a copy of the rate manual? – *No*

Company E

1. Do you currently write coverage in Missouri for underground and/or aboveground storage tanks? *Yes*
 - a. If you used to write coverage in Missouri but no longer do so, why do you no longer write there? *N/A*
 - b. Do you still write USTs or ASTs in other states? *Yes*
2. Do you have policy exclusions, such as for voluntary tank removal? *No but there is a reporting requirement.*
3. Do you write policies in the admitted or excess & surplus markets? *Non-admitted*
4. In some states, some tank owners have some pretty old tank systems for which they have trouble getting coverage (or for which coverage is pretty expensive). Do you rate tank systems on the basis of:
 - a. Age of tank or piping *Yes*
 - b. Type of tank or type of piping (steel, fiberglass, plastic) *Yes*
 - c. Size of tank *Yes*
 - d. Throughput of tank system Look at capacity more than throughput
 - e. Type of leak detection equipment *Yes*
 - f. Whether tank is retrofitted with cathodic protection or lining *Yes*
 - g. Number of tank systems owned/operated by applicant *Yes*
 - h. Number of dispensers *No*
 - i. Proximity to populated areas or to drinking water wells *Yes, water wells. Not population*
 - j. Soil / geological setting *Yes*
 - k. Financial soundness of applicant *Yes*
 - l. Extent of business relationship with applicant *Considered but not asked*
 - m. Anything else? *# of locations, # of tanks, year installed, capacity, tank wall, tank construction, contents, overflow protection (leak detection), retroactive dates, specific tank deductibles (if a tank has 1000 deductible, don't ask a lot of info), piping questions*
5. Would it be difficult to get coverage if you had a 25-year-old UST? *No*
6. Do you require a phase II site assessment or similar study to determine if there's pre-existing pollution before you issue coverage? *Not phase II, but if they have it we'd like to see it. But require tank tightness test.*
 - a. What about a physical inspection of the premises? *No*

7. Do you have a lot of releases with unknown sources of contamination or commingled old contamination? *No*
8. Do you offer coverage for ASTs or just USTs? *Both.*
 - a. Are the underwriting criteria the same? *Essentially*
9. Any recent changes to policy language? *No*
 - a. Have you had people moving up their retro dates who are then unable to obtain coverage for a leak? *No – people don't move their retro dates.*
 - b. Reductions to coverage like self-insured retentions? *Yes – always have the ability to reduce coverage depending on the situation.*
 - c. Do you offer deductible options? *Yes – limitless from 0 to multi-million*
10. Does claim frequency affect u/w or renewal decisions? *Yes – on account and book basis*
11. Would you be able to e-mail us a copy of a policy for UST coverage? *Yes*
12. Would you be able to e-mail us a copy of the rate manual? *No*

Company F

1. Do you currently write coverage in Missouri for underground and/or aboveground storage tanks?

In Missouri

 - a. If you used to write coverage in Missouri but no longer do so, why do you no longer write there?
 - b. Do you still write USTs or ASTs in other states?

Yes
2. Do you have policy exclusions, such as for voluntary tank removal?

No
3. Do you write policies in the admitted or excess & surplus markets?

They write both. In MO only excess & surplus
4. In some states, some tank owners have some pretty old tank systems for which they have trouble getting coverage (or for which coverage is pretty expensive). Do you rate tank systems on the basis of:
 - a. Age of tank or piping

Yes
 - b. Type of tank or type of piping (steel, fiberglass, plastic)

Yes
 - c. Size of tank

Yes but has to be over a certain large size tank that's pretty large. Start charging at 50,000 gallon capacity
 - d. Throughput of tank system

No
 - e. Type of leak detection equipment

Yes
 - f. Whether tank is retrofitted with cathodic protection or lining

Give some credits if it's a recent lining that meets a certain UIL. Only one company that does that. Has to meet UL-1856
 - g. Number of tank systems owned/operated by applicant

No
 - h. Number of dispensers

- No*
 - i. Proximity to populated areas or to drinking water wells
No rates for that. Do look at it while underwriting.
 - j. Soil / geological setting
No
 - k. Financial soundness of applicant
If they are requesting a 50,000 deductible or larger
 - l. Extent of business relationship with applicant
Considered but no
 - m. Anything else? *No*

- 5. Would it be difficult to get coverage if you had a 25-year-old UST?
No. write up to 44 years
- 6. Do you require a phase II site assessment or similar study to determine if there's pre-existing pollution before you issue coverage?
No
 - a. What about a physical inspection of the premises?
No
- 7. Do you have a lot of releases with unknown sources of contamination or commingled old contamination?
We see a lot of contamination with tank pulls but can't determine where it came from
- 8. Do you offer coverage for ASTs or just USTs?
Both
 - a. Are the underwriting criteria the same?
Yes
- 9. Any recent changes to policy language?
No
 - a. Have you had people moving up their retro dates who are then unable to obtain coverage for a leak?
If they have a retro date, we will honor 10 years of that. If it's renewal, don't limit retro date.
 - b. Reductions to coverage like self-insured retentions?
No
 - c. Do you offer deductible options?
Yes. 5000, 10,000, and 25,000. 50 and 100 requires financial
- 10. Does claim frequency affect u/w or renewal decisions?
Yes
- 11. Would you be able to e-mail us a copy of a policy for UST coverage?
Will check with manager and send along if allowed.
- 12. Would you be able to e-mail us a copy of the rate manual?
Will check with manager

Company G

- 1. Do you currently write coverage in Missouri for underground and/or aboveground storage tanks? *No*

- a. If you used to write coverage in Missouri but no longer do so, why do you no longer write there? *N/A*
 - b. Do you still write USTs or ASTs in other states? *Yes*
2. Do you have policy exclusions, such as for voluntary tank removal? *No*
3. Do you write policies in the admitted or excess & surplus markets? *Both*
4. In some states, some tank owners have some pretty old tank systems for which they have trouble getting coverage (or for which coverage is pretty expensive). Do you rate tank systems on the basis of:
 - a. Age of tank or piping *Yes*
 - b. Type of tank or type of piping (steel, fiberglass, plastic) *Yes*
 - c. Size of tank *Yes*
 - d. Throughput of tank system *Not directly*
 - e. Type of leak detection equipment *Yes, in some jurisdictions.*
 - f. Whether tank is retrofitted with cathodic protection or lining *Yes*
 - g. Number of tank systems owned/operated by applicant *Multi-facility discount possible in some jurisdictions if there is a reduced aggregate risk.*
 - h. Number of dispensers *Yes*
 - i. Proximity to populated areas or to drinking water wells *No*
 - j. Soil / geological setting *No*
 - k. Financial soundness of applicant *No*
 - l. Extent of business relationship with applicant *No*
 - m. Anything else? *Yes*
5. Would it be difficult to get coverage if you had a 25-year-old UST? *No*
6. Do you require a phase II site assessment or similar study to determine if there's pre-existing pollution before you issue coverage? *Recommended, not required.*
 - a. What about a physical inspection of the premises? *In some jurisdictions.*
7. Do you have a lot of releases with unknown sources of contamination or commingled old contamination? *Yes, majority of releases have unknown source and unknown cause.*
8. Do you offer coverage for ASTs or just USTs? *Both.*
 - a. Are the underwriting criteria the same? *No*
9. Any recent changes to policy language? *No*
 - a. Have you had people moving up their retro dates who are then unable to obtain coverage for a leak? *No*
 - b. Reductions to coverage like self-insured retentions? *SIRs are allowed for retroactive coverage in some jurisdictions but are not imposed or required.*
 - c. Do you offer deductible options? *Yes. \$10,000 is standard.*
10. Does claim frequency affect u/w or renewal decisions? *No*
11. Would you be able to e-mail us a copy of a policy for UST coverage? *On website*
12. Would you be able to e-mail us a copy of the rate manual? *No*