



UST Program Facts

Financial Responsibility

What are financial responsibility requirements?

When Congress amended Subtitle I of the Resource Conservation and Recovery Act in 1986, it directed the U.S. Environmental Protection Agency (EPA) to develop financial responsibility regulations for owners and operators of underground storage tanks.

Congress wanted owners and operators of underground storage tanks (USTs) to show that they have the financial resources to clean up a site if a release occurs, correct environmental damage, and compensate third parties for injury to their property or themselves. The amount of coverage required depends on the type and size of the business, as explained in the chart at the end of this fact sheet.

How can owners and operators demonstrate financial responsibility?

Owners and operators have several options: obtain commercial environmental impairment liability insurance; demonstrate self-insurance; obtain guarantees, surety bonds, or letters of credit; place the required amount into a trust fund administered by a third party; or rely on coverage provided by a state financial assurance fund. Local governments have four additional compliance mechanisms tailored to their special characteristics: a bond rating test, a financial test, a guarantee, and a dedicated fund.

When is financial responsibility required?

The chart at the end of this fact sheet presents five groups of UST owners and operators, compliance deadlines for each group, and required coverage amounts.

What is the cost of demonstrating financial responsibility?

EPA acknowledges that the cost of complying with the technical and financial responsibility requirements will be a burden to some owners and operators, especially those with older tanks.

Because underwriting criteria for most private insurance and eligibility requirements for some state assurance funds require that tanks be in compliance with federal or state technical standards, many owners and operators are faced with the costs of meeting technical requirements at the same time they meet financial responsibility costs.

The cost of meeting technical requirements generally accounts for the majority of regulatory compliance costs incurred by UST owners and operators. Some states have established financial assistance programs that can provide funds or low-interest loans to help owners meet technical requirements.

In terms of the costs for meeting financial responsibility requirements, insurance premiums for a facility with three to five upgraded tanks usually run about \$1,500 per year. Owners and operators who participate in a state financial assurance fund generally pay annual tank fees of from \$100 to \$250 per tank.

In developing the regulations, EPA has been sensitive to the financial impact of the regulations on small business. EPA phased in compliance deadlines, allowing the smallest businesses the longest time to comply. It has since responded to business owners' concerns by delaying compliance dates for the smallest owners and operators. EPA also has worked with states to develop state financial assurance funds and grant and loan programs.

How can state financial assurance funds help?

States are developing financial assurance funds to reduce the economic hardship of compliance with financial responsibility requirements and to help cover the costs of cleanups. State financial assurance fund programs, which supplement or are a substitute for private insurance, have been especially useful for small-to-medium sized petroleum marketers. Other characteristics of the funds appear below:

- Financial assurance funds are created by state legislation and must be submitted to EPA for approval before they can be used as compliance mechanisms.
- In most cases, states generate money for the funds with tank registration and petroleum fees.
- Legislatures delegate authority for the fund to a state agency addressing health, environmental, or insurance issues.
- State assurance funds typically incorporate eligibility requirements, such as demonstrations that facilities are in compliance with technical requirements and evidence of satisfactory inventory control and recordkeeping.
- Most state funds contain some deductible that the owner or operator is responsible for paying. Details on the funds are specific to each state.

Nationwide, these state funds raise about \$1 billion annually.

How many states have financial assurance funds?

As of July 1994, 33 states had state financial assurance fund plans approved by EPA. Ten had submitted fund plans for approval and three had plans that they had not submitted for approval. One additional state (Washington) has a reinsurance program that enables insurance companies to offer lower-cost premiums to the state's UST owners.

"Financial Responsibility" is one in a series of fact sheets about underground storage tanks (USTs) and leaking USTs. The series is designed to help EPA, other federal officials, and state authorities answer the most frequently asked questions about USTs with consistent, accurate information in plain language. Keep the fact sheets handy as a resource. This fact sheet addresses federal regulations. You may need to refer to applicable state or local regulations, as well. For more information on UST publications, call the RCRA/Superfund Hotline at 800 424-9346.

Financial Responsibility Requirements

Group Of UST Owners And Operators	Compliance Deadline	Per Occurrence Coverage	Aggregate Coverage
GROUP 1: Petroleum marketers with 1,000 or more tanks OR Nonmarketers with net worth of \$20 million or more (for nonmarketers, the "per occurrence" amount is the same as Group 4-B below)	January 1989	\$1 million	\$1 million if you have 100 or fewer tanks OR \$2 million if you have more than 100 tanks
GROUP 2: Petroleum marketers with 100-999 tanks	October 1989		
GROUP 3: Petroleum marketers with 13-99 tanks	April 1991		
GROUP 4-A: Petroleum marketers with 1-12 tanks	December 1993		
GROUP 4-B: Nonmarketers with net worth of less than \$20 million	December 1993	\$500,000 if throughput is 10,000 gallons monthly or less OR \$1 million if throughput is more than 10,000 gallons monthly	
GROUP 4-C: Local governments (including Indian tribes not part of Group 5)	February 1994		
GROUP 5: Indian tribes owning USTs on Indian lands (USTs must be in compliance with UST technical requirements)	December 1998		