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**Legislation Alert!**

Legislation (House File 2381) has been introduced to sunset the Iowa UST Fund Board’s authority as of June of 2017, and to transfer remaining Fund balances to a new “Iowa tanks fund” to be administered cooperatively by the Iowa Finance Authority and the Department of Natural Resources.

There are still over 400 eligible remedial claims open with the UST Fund and this legislation does **not** guarantee that these eligible claims will be paid. Although current funding exceeds existing liabilities, the proposed legislation directs the UST Fund Board to administratively close or terminate any remaining liabilities, contracts, outstanding claims, payments or other obligations for open claims on June 30, 2017. The legislation also states that the purpose of the new program is to reimburse costs of corrective action for previously unknown petroleum releases—not existing, eligible claims. Recently, the UST Fund Board has been administratively closing claims if the claimants do not respond to Board inquiries.

Over 100 facilities insured with PMMIC still have open claims with the UST Fund that could be subject to administrative closure. Loss of funding for past releases could cause the facility owner to incur significant corrective action expenses and the facilities could become uninsurable. We cannot allow the UST Fund Board to terminate funding for eligible claims.

More than 10 years ago the legislature gave the UST Fund Board the authority to protect these claimants by entering in to a loss portfolio transfer (LPT) with a qualified private entity that would become responsible for completing the corrective action at sites involved with the LPT. An LPT would protect the money from being used for other state purposes. PMMIC has expressed interest in an LPT that protects the facilities and tank owners we insure. PMMIC will continue to work with the UST Fund to pursue an LPT for claims at sites we insure, and we will work with the Legislature to protect the existing funding for existing eligible claimants.

**Proposed UST Fund Sunset Solution**

PMMIC supports full funding of all eligible claims and a continuation of the No Further Action (NFA) Fund, tank pull benefits and operator training assistance. Program funding is sufficient to settle all existing claims and to fund future NFA claims, tank closures and operator training over a 10 year period. If the UST Fund Board settles existing claims with qualified financial assurance providers, eligible claimants will be protected and program administrative costs could be reduced by up to \$1 million annually. The UST Fund Board could develop a transition plan to transfer the remaining NFA, tank pull and training programs to the Iowa DNR for long term administration based upon a time table established by the legislature. This will assure that all eligible claims will be fully addressed and future unfunded environmental concerns will be addressed internally by the DNR. The transition plan must fully fund existing claims, NFA funding, tank pulls and operator training.

## Chairman's Corner

*"Justice does not help those who slumber but helps only those who are vigilant."* - Mahatma Gandhi

For a relatively small insurance company, our A- (Excellent) rating from A.M. Best is a testament to our commitment to best practices and our dedication to our customers. There are serious financial risks presented to our customers who operate petroleum distribution systems. Those risks are increasing with implementation of new more stringent regulations. Created for, by and of petroleum storage tank owners, we work with our customers and shareholders to provide the best risk management solutions. Similar to your own business, ours must operate profitably and continue to be knowledgeable of new technologies and customer needs.

We must remain vigilant in our responsibility to monitor trends and financial threats. To do so we stay involved with the development of technical standards through Petroleum Equipment Institute (PEI) and Underwriter Laboratories' (UL), and others. We also monitor proposed legislative and administrative rule changes in every jurisdiction in which we operate.

In Iowa, legislation has been proposed to sunset the Iowa Underground Storage Tank (UST) Fund and transfer remaining funds to a newly created "Iowa Tanks Fund" to be overseen by the Iowa Finance Authority and the Department of Natural resources (DNR). PMMIC insures more than 100 sites that have an open claim with the UST Fund. Those claims may be administratively closed if this legislation is approved as introduced. One of the options being considered as a way to end the UST Fund's liabilities is to transfer the remaining open claims along with the associated funds now held in reserve to a third party. We stand ready to accept such a transfer to protect our customers' interests.

The DNR is proposing significant rule changes to implement the new federal UST regulations. Some of the new federal requirements call for monthly inspections and annual testing and inspections. Every state is in the process of implementing these new regulations. We are ready to assist our customers in meeting these new requirements.

We will continue to monitor and participate in these regulatory processes to protect our customers and our business interests. To remain successful, we must continuously identify and aggressively respond to external business threats like these.

I promise you we will always strive to stay ahead of the challenges so we can continue to grow with you and assist you to defend your business assets from these and future threats.

As always,

*Ron Burmeister*

Chairman

## PMMIC Annual Meeting

The Annual Meeting of the shareholders of Petroleum Marketers Management Insurance Company will be held on Wednesday April 13, 2016 at 9:00 a.m., Central Time, at PMCI Headquarters in Urbandale, IA. For more information contact PMMIC at 515-334-3001.

## New Tank Regulations

Office of Underground Storage Tanks (OUST) recently revised the federal UST regulations. The new rules incorporate the Energy Policy Act of 2005 provisions. The Iowa DNR is developing rules to implement these new federal regulations. Some of the new requirements being discussed include:

- Periodic walkthrough inspections (30 day and annual requirements)
- New release prevention and detection technologies (CSLD and SIR)
- Spill containment and overflow prevention devices tested at least once every three years
- Secondary containment testing for sumps used for line leak detection
- Ball float vent valves eliminated for new installs
- New limitations on lined tanks that fail periodic tests
- UST equipment compatibility requirements for blends above E10 and B20
- New repair requirements
- Notification requirements
- Interstitial monitoring alarms added to conditions for release reporting
- Requirements to replace entire piping run when 50 percent or more of piping is removed

DNR has also proposed changes to corrective action standards. These changes will impact our customers, our shareholders and us. Any change to corrective action standards can impact the costs of corrective action and impact your insurance rates.

DNR has been working with industry representatives to refine their proposed rule changes before moving forward with the formal rule making process. PMMIC has been working closely with DNR to ensure that the rules are consistent with federal law and reasonable for tank owners. We will continue to work with DNR to protect our customers and our shareholders.

## PMMIC Receives A- Excellent Rating

A.M. Best affirmed PMMIC's A- (Excellent) rating on February 2, 2016. A.M. Best noted, "The ratings reflect Petroleum Marketers Management Insurance Company's (PMMIC) solid capitalization, its strong operating performance and niche market expertise within the underground storage tank (UST) and above ground storage tank (AST) business." A.M. Best also noted, "The company's returns have outperformed the industry composite over the past five years. Favorable return measures are generated by both profitable underwriting results and strong levels of investment income (inclusive of realized gains). The company's low loss ratio reflects PMMIC's strict underwriting guidelines, emphasis on loss control, as well as tank inspection and monitoring efforts. The company continues to benefit from the reputation and expertise in its niche market and relationships with its insureds."

For the latest rating for PMMIC, visit [www.ambest.com](http://www.ambest.com).

*Nothing is so permanent as a temporary government program.*

Milton Friedman

## Record Keeping & UST Insurance Tips

- Retain at least 12 months' of leak detection reports.
- Make copies of reports and tests. Keep copies organized.
- Never tape or staple tank monitor printouts.
- Send copies, DO NOT submit original reports, printouts or tests.
- Submit premium and renewal documentation together.

### Iowa UST Fund Financials\*

July 1, 2016 Projected UST Fund Balance	\$36.3 million
July 1, 2016 Projected outstanding claim obligations	\$22.8 million

\* Source, Iowa Legislative Services Agency, Fiscal Services Division, March 7, 2016.



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- Business owners policy (BOP)
  - Property insurance for buildings and contents
  - Business interruption coverage
  - Liability coverage
  - Equipment breakdown coverage
- Business auto insurance
- Workers compensation
- Liquor liability
- Environmental impairment liability
- Comprehensive general liability policy
- Inland marine coverage
- Umbrella / Excess liability insurance
- Directors and Officers insurance
- Surety bonds
- Group term life & AD&D insurance
- Group short term disability
- Group long term disability
- Dependent term life
- Personal life insurance
- Health insurance
- Homeowners insurance
- Personal auto insurance
- Motorcycle, ATV & RV insurance
- Boat & personal watercraft insurance
- Renters insurance
- Personal umbrella insurance