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Hidden Dangers of Storage Tank Environmental Risks

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Accidental spills from leaking storage tanks are considered to be the single greatest risk to groundwater quality. Nearly half of all Americans tap into groundwater as their source of drinking water, according to the Environmental Protection Agency (EPA). Tank leakage leads to health and environmental exposure for individuals and communities, thereby requiring tank operators and owners to comply with federal, state and municipal regulations. Commercial operators/owners of underground and above storage tanks can face potential financial loss for mandatory removal and remediation of storage tank risks.

Storage tank operation and maintenance is a highly regulated sector driven by the desire for preserving a clean environment. Commercial entities, such as transportation companies, contractors, manufacturers, hospitality owners, among others, utilize storage tanks to sustain their operations. Storage tanks support back up generators for municipalities, waste water treatment plants, medical facilities and condominium developments, underscoring the complexities of the risks. The EPA has reported that there are approximately more than 550,000 underground tanks nationwide that store petroleum and other hazardous substances. Important to note here that the EPA regulations do not apply to tanks used for non-commercial purposes, such as farms and private residences, or for tanks holding 1,100 gallons or less.

Storage tank system operators can incur significant loss to install preventive measures to mitigate loss and may involve costs for tank removal and property remediation. Environmental insurance programs are available to provide protection against an unforeseen loss event. Expenditures associated with clean up from a spill or corrosion threat can depend on the extent of the pollution incident, ranging from \$10,000 to \$500,000 or more, for tank removal and restoration of the polluted property to safe conditions.

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When Congress created the EPA in 1984, one of the first orders of business was to develop regulations for underground storage tanks (USTs). In 1988, regulations were issued requiring that tank systems be compatible with substances stored within. One aspect of the decree was a mandate to avert external corrosion of metal components in contact with the soil. Yet, it was not until 2015 that the EPA published its first major revision to the 1988 ruling, introducing new guidelines regarding the operation and maintenance of tank systems. The intention was to prevent and correct releases from tank systems by ensuring that all operations in the U.S. met the same minimum requirements. The emerging concern was the age of the tank, of which some are now 20-30 years old. Commercial businesses were then held accountable for the operation and maintenance of the tanks and to report tank age, while keeping records of any new systems, suspected releases and old UST system closures.

Pollution liability coverage affords third-party liability protection in response to releases from underground and above ground storage tanks. Policies offered by specialty lines insurance companies within the commercial sector can also help insureds fulfill regulatory responsibilities and financial obligations. Coverage should respond to first-party discovery during the policy period or applicable extended reporting timelines, while offering the option to incorporate multiple tank locations and tanks fields. Ironshore's stand-alone storage tank liability policy also offers cover for third-party bodily injury and property damage protection against such risks as National Resource Damages and Medical Monitoring Costs.

Storage tank environmental risk exposure presents potentially ill-fated outcomes. Yet, the importance of providing protection to system operators is of utmost importance for upholding environmental health and safety measures. Forward-looking specialty insurance companies are working in partnership with insureds to mitigate environmental risk and minimize associated costs of regulatory compliance to, ultimately, spur recovery from a devastating financial loss event.