

## **UNDERGROUND STORAGE TANK FINANCIAL RESPONSIBILITY SUMMARY**

Financial responsibility is a state and federal requirement for underground storage tank (UST) owners and operators to have the fiscal means to handle any corrective action (remediation) costs and third-party liability claims (property and bodily injury) associated with releases from UST systems. Having a means of financial responsibility not only puts the owner in compliance with state and federal regulations, but it also provides the owner and the business with protection in the event a release occurs from the owner's UST system.

There are two separate required amounts: one is the "per occurrence" coverage, and the other is the aggregate coverage. All petroleum-marketing firms (e.g. gas stations) must have \$1 million available to clean up and pay for any third-party damages resulting from each release. This is the "per occurrence" amount. For non-petroleum marketing firms, the required "per occurrence" amount is based on an average monthly throughput. An average monthly throughput of 10,000 gallons or less requires coverage of \$500,000; more than 10,000 gallons requires \$1 million of coverage.

The second amount, the annual "aggregate" is a limit or cap on the amount, which must be covered per year. The aggregate is based on the number of UST systems owned. The annual aggregate coverage required is \$1 million for owners of one to 100 systems. Owners of more than 100 UST systems are required to have \$2 million of aggregate coverage.

Arizona law also addresses the failure to comply with financial responsibility requirements. If a leak occurs or is discovered after July 1, 1996, and there is no evidence of financial responsibility, eligibility for State Assurance Fund (SAF) assistance could be disallowed. Additionally, without evidence of financial responsibility, the owner/operator is subject to enforcement action and fines. The fines can range up to a maximum of \$10,000 per day.

A common misconception is that the SAF alone satisfies the financial responsibility requirements. The SAF is a partial mechanism that can cover only eligible remediation costs. Therefore another mechanism, such as private insurance, is needed to handle all third-party liability claims and remediation costs not covered by the SAF. Other appropriate financial mechanisms include: self-insurance, guarantee, letter of credit, surety bond, trusts and a certificate of deposit. Local government entities may also use a government fund, a bond rating test, government guarantee or a government financial test.

Obtaining pollution liability UST insurance can be handled through your respective insurance agent. Be advised that almost every property insurance policy will exclude underground storage tanks. For more detailed information, please call your insurance agent or contact [Brian Kelley](#) of ADEQ at (602) 771-2214; toll free in Arizona at (800) 234-5677. All financial responsibility documentation must be on file with ADEQ and their address is:

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