
FISCAL UPDATE Article

Fiscal Services Division

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UNDERGROUND STORAGE TANK BOARD, LOSS PORTFOLIO TRANSFER

Note: This article was originally published on October 16, 2017, and has been revised and republished. The only change was the cleanup costs cited in the last paragraph, which were reduced from \$10.1 million to \$7.5 million.

Loss Portfolio Transfer Contract. At an October 11, 2017, telephonic meeting of the [Iowa Comprehensive Petroleum Underground Storage Tank \(UST\) Fund Board](#), the Board voted to approve a contract with the Petroleum Marketers Management Insurance Company (PMMIC). The contract provides for a [Loss Portfolio Transfer](#) (LPT) of the estimated remaining expenditure liability for 199 UST remediation claims currently managed by the UST Board. The contract pays PMMIC \$13.1 million from UST Board funds as compensation for the transfer of liability on the 199 UST sites.

The contract with PMMIC is the result of a request for proposal (RFP) process. The RFP process closed in July 2017 with PMMIC submitting the only bid. The \$13.1 million bid represents a \$3.1 million premium (31.7%) over the \$9.9 million the Board carries as its existing liabilities (estimated remaining expenditures) for the contaminated sites included in the RFP. In addition to the \$9.9 million in site-specific liabilities, the Board would also incur administrative expenses for the sites included in the RFP if those sites remained the responsibility of the Board. The administrative savings the Board should expect from the transfer of the 199 sites has not been identified.

The bid submitted by PMMIC is broken down into the following items:

- Existing Board Liabilities: \$9.92 million.
- Risk Premium: \$1.97 million.
- Administrative Fee: \$0.92 million.
- Additional Insurance: \$0.25 million.

With transfer of the 199 sites to PMMIC, approximately 120 contaminated UST sites with expected Board site-specific cleanup costs totaling \$7.5 million will remain as liabilities of the UST Board. As of the end of September 2017, the cash balance of UST funds totaled \$34.7 million. With the payment of \$13.1 million to PMMIC, the remaining cash balance will be approximately \$21.6 million.

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