

Insurance for aboveground and underground storage tanks



Guest editorial
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Aboveground and underground storage tanks are widely used across industries to store petroleum products, chemicals, water, and other liquids essential to operations. While these tanks serve critical functions, they also pose significant risks. Leaks, spills, structural failures, and environmental contamination can create costly liabilities for tank owners and operators. Insurance coverage for aboveground storage tanks (ASTs) and underground storage tanks (USTs) is therefore a vital safeguard, protecting businesses from financial losses and helping them comply with regulatory requirements.

Understanding the risks

The risks associated with storage tanks depend on their design, location, and contents. Aboveground storage tanks are easier to inspect and maintain because they are visible, but they are still vulnerable to physical damage, weather events, corrosion, and operator error. A spill from an AST can contaminate soil, waterways, and nearby property.

In contrast, underground storage tanks are harder to monitor. Corrosion, faulty installation, or damage to piping systems can result in undetected leaks that persist for years before being discovered. When they are finally found, remediation costs for UST leaks can be substantial because contamination often spreads to groundwater.

Both ASTs and USTs pose environmental, legal, and financial

risks. Cleanup costs, third-party claims, and regulatory fines can easily exceed what most businesses can handle on their own. This is where insurance coverage comes in.

Types of insurance coverage

Insurance for storage tanks generally falls under two categories: property coverage and pollution liability coverage.

Property Insurance: This protects the tank and its contents from direct physical loss or damage. For example, if a storm damages an aboveground tank or vandalism leads to a spill, property coverage can help repair or replace the equipment and cover lost product.

Pollution Liability Insurance: Perhaps the most critical type of coverage for storage tanks is pollution liability insurance. These policies protect against costs associated with spills, leaks, and environmental contamination. Pollution liability typically includes coverage for:

- Cleanup and remediation costs (soil, groundwater, and surface water)
- Third-party bodily injury or property damage claims
- Legal defense expenses
- Business interruption caused by contamination

Because pollution incidents can have long-lasting consequences, this type of insurance is often required by lenders, regulators, and business partners.

Tank-Specific Policies: Some insurers offer specialized storage tank liability policies tailored for ASTs and USTs. These policies may cover not only leaks from tanks themselves but also associated piping and equipment. In addition, they can include coverage for sudden and accidental releases as well as gradual leaks, which is especially

important for USTs where damage often occurs over time.

Regulatory considerations

Insurance requirements for storage tanks are shaped by federal, state, and local regulations. In the United States, the Environmental Protection Agency (EPA) regulates underground storage tanks containing petroleum or hazardous substances. Federal law requires UST owners and operators to demonstrate financial responsibility for potential releases, which can be met through insurance, surety bonds, letters of credit, or other mechanisms. Insurance is often the most practical and reliable method of compliance.

Aboveground storage tanks are not regulated as strictly at the federal level, but many states and municipalities impose their own requirements. Businesses with ASTs may be subject to spill prevention, control, and countermeasure rules under the Clean Water Act, which encourage facilities to carry adequate financial assurance, including insurance.

Benefits of insurance for tank owners

Carrying proper insurance coverage provides several benefits beyond regulatory compliance:

- **Financial protection:** Insurance prevents a single incident from bankrupting a business. Cleanup and liability claims can reach hundreds of thousands or even millions of dollars.

- **Risk management:** Insurers often require regular inspections, maintenance, and leak detection measures as conditions of coverage, which improve safety and reduce the likelihood of a costly event.
- **Reputation safeguard:** A company that responds quickly and responsibly to a spill with the help of insurance support demonstrates reliability and protects its reputation with clients and regulators.
- **Peace of mind:** Knowing that coverage is in place allows business owners to focus on operations rather than worrying about "what-if" scenarios.

Choosing the right policy

Not all tank insurance policies are alike. Businesses must carefully evaluate coverage limits, exclusions, deductibles, and conditions. Important questions to consider include:

- Does the policy cover both sudden and gradual leaks?
 - Are associated piping systems and equipment included?
 - What are the policy's reporting requirements for suspected releases?
 - How does the policy coordinate with general liability or property insurance already in place?
- Working with an experienced insurance broker or risk management professional can help businesses tailor coverage to their specific needs.

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