

Oil Tanks - Insurance issues you should know

The B.C Fire Code now requires the removal of any underground oil tanks that have been out of service for more than two years. Licensees who are involved with the sale of a property that contains, or is thought to contain, a buried oil tank should be aware that this is a concern and should also beware of their duties with respect to disclosure. Actual scenario of what happened to a realtor at Re/Max Crest Realty Westside; Here is what happened with my listing. The Buyer was aware that we had an above ground oil tank and oil furnace. Due to competing offers, he did not put subject to inspection. Now, he is trying to insure the property and every Insurance Co. has turned him down. ... on one condition, he will have to replace the tank and / or furnace within 30 days of completion. So, this is an important factor for all the realtors to pay attention to.

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UNDERSTANDING OIL TANKS

INSURANCE ISSUES YOU SHOULD KNOW



CREA

The Canadian Real Estate Association

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UNDERSTANDING OIL TANKS

Real estate transactions can be put at risk if a client purchases a property with an underground fuel oil tank and is denied homeowners insurance. If a client finds that an existing tank has not been registered, remedial action may cost them thousands of dollars.

Homebuyers have expressed concern over home insurance policies being denied or being unable to obtain home insurance as a result of underground storage tanks. A number of transactions have fallen through on closing as a result.

According to the Insurance Bureau of Canada, a home with an exterior oil tank older than 15 years, or an interior tank older than 25 years will not be insured.

THE PROBLEM

The problem is that many oil tanks are corroding from the inside out, so the failure is not readily visible. This often occurs from condensation that builds up inside the tank. Since oil is lighter than water, the water goes to the bottom of the tank and causes corrosion. The first sign of a bad tank could be an odour of oil in the air. There might be rust or corrosion where the legs are welded to the tank. Other symptoms could include a leak in the fuel filter or the nozzle becoming plugged.

Insurance companies are concerned that an old oil tank can leak and spill hundreds of litres of heating oil into the home, or into the ground. Spilled oil can quickly contaminate soil and groundwater. If the leak finds its way into a sump pump or floor drain, the spill will undoubtedly make it a very expensive clean up. With outside storage tanks, where rust and corrosion are more common, a spill can contaminate the soil or make its way into the nearby streams or rivers.

What may seem like a simple clean-up can in fact be a complicated task to replace the leaking tank and supply lines, remove contaminated soil, replace the foundation and treat groundwater.

The cost to repair a leaking oil tank can range from several hundred to several thousand dollars.

The most commonly used tanks for heating oil are steel containers that hold about 1,000 litres and weigh close to 1,000 kg when full. Their odd shape, which lets them easily pass through doorways, also makes them unstable unless they are properly secured from tipping over.

When buying a tank, look for a label that tells the date and location the tank was made. The label should clearly indicate that it meets a national construction standard.

The National Fire Code recommends that all piping and connections on oil tanks be made of metal, not plastic or rubber.

Buying a used oil tank is not recommended. Rust and sludge that has collected in the tank will cause burner problems.



INDOOR TANKS

Many home oil tanks are designed and built for indoor use. Indoor oil tanks will generally last longer and improve the efficiency of oil-fired appliances. Indoor storage tanks are less likely to spill and do not emit an odor.

When installing an indoor oil tank, place the tank where it can be easily inspected but will not be damaged by normal household activities.

If possible, surround the tank with a low curb and dyke to contain any leaked oil. Never place a tank against a wall, as this can cause the tank to rust.

Cover the supply line and filter to protect them from damage. Storing objects on top of the tank could potentially lead to damage.



OUTDOOR TANKS

Outdoor tanks should be placed at least 15 m from any well. To prevent rust, cover the tank's exterior with enamel paint. Support the tank properly to prevent it from shifting or falling over. Prepare a non-flammable base using concrete or patio stones. Wood is not recommended as it can burn, rot and retains water, which causes the tank to rust. Slope the tank slightly toward the drain.

Ensure the tank stays upright and does not make contact with a wall.

To allow for changes in ground level, the oil burner supply line should have a horizontal loop before entering the building. The line should be sloped toward the building to prevent water collection.

If possible, the oil filter should be placed inside the home because collected water can freeze and cause splitting.

The supply line can be installed through the top of the tank to protect against breaking the line and draining the tank.

If frost heaving or ground settling causes an tank to move, have it leveled properly.



UNDERGROUND OIL TANKS

Many underground oil tanks have reached the end of their useful lives and are beginning to corrode, rust and leak. Increasing homeowner insurance claims resulting from leaking oil tanks are very expensive and can lead to high insurance rates, or even refusal of coverage.

It is a homeowner's legal responsibility to properly maintain the oil tank and clean up any spills or leaks that may occur.

Leaking underground storage tanks may create several hazards including:

- Products and product vapours can generate a potentially explosive mixture;
- Products can enter surface water;
- Products can enter drinking water;
- Products can contaminate surrounding soil;
- Products can damage property.

Problems with underground oil tanks may complicate the process of applying for homeowner's insurance and, in extreme cases, may adversely affect real estate transactions themselves.

What's required in Ontario

In Ontario, effective May 1, 2002, fuel distributors may not supply fuel oil to an underground tank that is not registered with the Technical Standards and Safety Authority (TSSA).

To ensure uninterrupted oil supply, tank owners must complete the TSSA's Underground Fuel Oil Application Form and may be required to upgrade their tank with specific leak and spill prevention equipment depending on the age of the tank.

Upon approving an application form, the TSSA will assign a registration number to the tank. The tank owner must provide the registration number to a fuel distributor to ensure uninterrupted fuel supply.

To receive a copy of the Underground Fuel Oil Application Form, or for more information, call the Technical Standards and Safety Authority toll-free at 1-877-682-8772.

HOW TO CHECK IF AN UNDERGROUND OIL TANK IS LEAKING

Because they are buried, it is difficult to detect a leaking tank. Some underground tanks may leak for years without owners realizing it. If oil consumption suddenly goes up the tank may have sprung a large leak.

There are companies that test underground tanks for leaks. Call the fuel supplier to help find underground tank testing companies.

WHAT TO DO IF AN OIL TANK IS LEAKING

Suspect a leak in an underground oil tank? Call a TSSA registered fuel oil contractor to help find and stop the leak and clean up any leaked fuel oil. In Ontario, homeowners are also required to call the Spills Action Centre of the Ministry of Environment at 1-800-268-6060. Insurance companies may also have resources of information.

Underground tanks are required to be upgraded with specific leak and spill prevention equipment or be removed.

WHAT TO DO WITH UNUSED UNDERGROUND OIL TANKS

An unused underground oil tank must be removed and all contaminated soil must be cleaned. Underground tanks are required to be removed by TSSA registered fuel oil contractors.

When an underground tank is removed, the soil around the tank must be assessed for contamination and all contamination cleaned.

TANK MAINTENANCE

Spills can be avoided by detecting problems early on. If asked, most fuel companies will inspect the tank yearly, and will report any problems or recommend repairs.

At least once a year, change the filter and remove any sludge and water from the tank. Check with a fuel company about oil additives to reduce the water in the tank.

Occasionally, check the outside of the tank for any rust. Clean off any spots and apply a rustproof paint.

When replacing an oil tank, be careful not to transfer all of the contents of the old tank into the new one. Accumulated water, sludge and bacteria will cause the new tank to corrode and leak.

Keep the tank relatively full over the summer so that less water from condensation will collect inside.

Oil tanks should be checked for problems after each fuel delivery.

WHAT COMSUMERS SHOULD DO WHEN BUYING OR SELLING A HOME WITH AN OIL TANK

Prior to closing, contact the fuel oil supplier for the home and determine if the basic or comprehensive inspections of the tank and oil-heating appliance have been completed. The fuel oil supplier will have information about the servicing and inspection program that is in place for the home.

Selling a home with an oil tank? REALTORS should expect questions regarding the age of the tank, location and proof that the tank installation meets safety requirements. Purchasers should expect to be asked, by their insurer, to provide this type of information when applying for insurance.



PROVINCIAL STANDARDS

Although most provinces currently have safety standards for oil tanks, provincial environment departments across Canada are now reviewing installation standards for home oil tanks. Below are the oil tank regulations and requirements for Alberta, Ontario, Newfoundland, PEI and Saskatchewan. For information about oil tanks in other provinces, see the resource section.

Alberta

In Alberta, underground and aboveground tanks must be registered with the Petroleum Tank Management Association of Alberta (PTMAA). Aboveground storage tanks of capacity smaller than 2,500 litres do not have to be registered. Each compartment of multi-compartment tanks is considered an individual storage tank. Registration fees are \$50.00 per tank per year.

British Columbia

The B.C Fire Code now requires the removal of any underground oil tanks that have been out of service for more than two years. Licensees who are involved with the sale of a property that contains, or is thought to contain, a buried oil tank should be aware that this is a concern and should also be aware of their duties with respect to disclosure.

Newfoundland

The Government of Newfoundland and Labrador report that approximately 66,000 households use oil as their main source of heat. During the 2000/2001 heating season, there were approximately 600 residential oil spills reported. The Insurance Bureau of Canada reports that between 1996 and 1998, the total dollars paid out in claims from domestic oil tank leaks and spills in Atlantic Canada exceeded \$11.9 million.

Prince Edward Island

In early 2002, Prince Edward Island implemented regulations regarding domestic oil tank installations. When fully implemented, the PEI regulations will ensure that a licensed installer installs oil tanks and a licensed installer, or inspector, inspects existing systems. All tanks will be replaced every 15 - 25 years depending on the tank design and thickness.

Saskatchewan

In Saskatchewan, oil tanks are regulated by the Hazardous Substances and Waste Dangerous Goods Regulations. Underground oil tanks in sites of moderate environmental sensitivity (considered "Class B") must meet the standards outlined in the Requirements for Underground Petroleum Storage Tank Systems at "Class B" Locations. This document is available on the Saskatchewan Environment website:

<http://www.se.gov.sk.ca/environment/protection/hazardous/CLASSB.htm>

Ontario

According to the Technical Standards and Safety Authority of Ontario (TSSA), if the underground fuel tank was installed:

- 25 or more years ago - the tank must be removed or upgraded by October 1, 2006
- 20 to 24 years ago - the tank must be removed or upgraded by October 1, 2007
- 10 to 19 years ago - the tank must be removed or upgraded by October 1, 2008
- Less than a year to 9 years ago - the tank must be upgraded or removed by October 1, 2009.

Underground tanks with a storage capacity greater than 5,000 litres will need to be tested for leaks annually. Unused underground tanks are required to be removed and any contamination cleaned.

TSSA investigation statistics show that old, rusting underground tanks and poorly maintained and defective heating systems are the leading sources of oil leaks and spills. These leaks and spills can result in serious environmental damage and costly clean-up repairs for homeowners.

A leaking oil tank in the basement can become a serious fire and environmental hazard. Inside or outside the house, it can contaminate groundwater, affecting wells or other drinking water supplies near by.

The first step for owners is to register their tank, free of charge, with the TSSA. New regulations require all underground tanks to be registered with the TSSA by May 1, 2002 or oil will not be delivered to the tank. Oil tanks can be registered by completing the Underground Fuel Oil Application Form and returning it to TSSA. A registration number will be assigned to each tank that must then be given to a fuel distributor to ensure uninterrupted fuel supply.

It is important for underground oil tank owners to take safety into consideration. Old, underground tanks are very likely to leak, and oil leaks will contaminate soil and groundwater and result in expensive environmental clean-up costs.

RESOURCES

For additional information on oil tank safety, contact the following organizations:

Alberta

Petroleum Tank Management Association of Alberta (PTMAA)
Suite 980, 10303 Jasper Avenue
Edmonton, Alberta T5J 3N6
(780) 425-8265 or 1-866-222-8265
<http://www.ptmaa.ab.ca>

British Columbia

Office of the Fire Commissioner
Ministry of Community Aboriginal and Women's Services
P.O. Box 9491 Stn Prov Govt
Victoria, BC V8W 9N7
(250) 356-9000
OFC@gems8.gov.bc.ca
<http://www.mcaws.gov.bc.ca/firecom/>

Manitoba

Mechanical and Engineering Branch
Manitoba Labour and Immigration
500 - 401 York Avenue
Winnipeg, MB R3C 0P8
(204) 945-1359

New Brunswick

New Brunswick Department of the Environment
565 Priestman St.
P.O. Box 6000
Fredericton, NB E3B 5H1
(506) 444-5149
To report an oil tank leak or spill: 1-800-565-1633

Newfoundland

Canadian Oil Heat Association
Newfoundland Chapter
Newfoundland@coha.ca
<http://www.coha.ca>

Nova Scotia

Nova Scotia Department of the Environment
PO Box 2107
5151 Terminal Road, 5th Floor
Halifax, NS B3J 3B7
(902) 424-5300

Ontario

Technical Standards and Safety Authority (TSSA)
4th Floor, West Tower
3300 Bloor Street West
Toronto, Ontario M8X 2X4
(416) 325-2000
Toll-Free (outside Toronto) 1-877-682-8772 (TSSA)
E-mail: contactus@tssa.org
<http://www.tssa.org>

P.E.I.

Department of Fisheries, Aquaculture and Environment
Jones Building
11 Kent Street
P.O. Box 2000
Charlottetown, PE C1A 7N8
Telephone: (902) 368-5000
<http://www.gov.pe.ca>

Québec

Ministry of the Environment
Édifice Marie-Guyart, 6th floor
675 René-Lévesque Boul. East
Québec (Québec) G1R 5V7
(418) 521-3830 or 1-800-561-1616

Saskatchewan

Saskatchewan Ministry of the Environment
3211 Albert Street
Regina, SK S4S 5W6
(306) 787-2700
<http://www.se.gov.sk.ca/>

Environmental Resource Network inquiry line
1-800-567-4224 (in province only). Ask for the
Hazardous Substances and Waste Dangerous
Goods Regulations.

Yukon

Yukon Housing Corporation
410H Jarvis Street
Whitehorse, Yukon
(867) 667-5759
Toll Free: 1-800-661-0408



**Any questions or comments about the services
or products CREA provides?
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Two codes cover underground storage tanks

In BC, new homes getting new oil-burning equipment including underground storage tanks are covered by the BC Building Code and must comply with section 6.2.1.5 (1).

Existing underground storage tanks fall under the jurisdiction of the British Columbia Fire Code. If your client has an underground storage tank on their property that has no further use or has been out of service for two years, such tanks together with connected piping and dispensers, shall:

- a) have all flammable liquids and combustible liquids removed from them;
- b) be purged of vapours; and
- c) except as permitted in some circumstances, be removed from the ground.



If contaminated, soil surrounding the storage tanks must be replaced with clean fill.

Where the authority having jurisdiction determines that it's impractical to remove underground piping, such piping shall have the ends permanently sealed by capping or plugging.

Where storage tanks are to be disposed of, sufficient openings shall be cut in the tanks to render them unfit for further use.

Contact your local fire authority for more information.