



100TH GENERAL ASSEMBLY

State of Illinois

2017 and 2018

HB2835

by Rep. Emily McAsey

SYNOPSIS AS INTRODUCED:

New Act

Creates the Crude Oil Pipeline Environmental Liability Insurance Act. Provides that all owners of crude oil pipelines transporting more than a specified amount of bitumen shall report such pipelines to the Illinois Environmental Protection Agency. Provides that on January 1, 2018 all owners of crude oil pipelines that transported more than a specified amount of bitumen over the preceding calendar year, shall maintain insurance coverage for such pipelines. Provides that after January 1, 2018 all owners of crude oil pipelines transporting more than a specified amount of bitumen shall obtain insurance coverage for such pipelines. Contains provisions specifying the requirements for insurance coverage and concerning the duties of the owners of such pipelines, the Agency, and insurance companies in relation to such insurance. Effective January 1, 2018.

LRB100 09100 RJF 19254 b

1 AN ACT concerning regulation.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 1. Short title. This Act may be cited as the Crude
5 Oil Pipeline Environmental Liability Insurance Act.

6 Section 5. Definitions. As used in this Act:

7 "Agency" means the Illinois Environmental Protection
8 Agency.

9 "Minimum amount of bitumen" means 100,000 barrels per day
10 of bitumen.

11 Section 10. Crude oil carriers.

12 (a) On and after the effective date of this Act, the owner
13 of a crude oil pipeline in the State transporting, in whole or
14 in part, more than the minimum amount of bitumen shall report
15 that pipeline to the Agency. If a pipeline that did not
16 transport more than the minimum amount of bitumen on the
17 reporting date does so later in the same year, or in any
18 following year, the owner of the pipeline shall amend its
19 report within 30 days to reflect its new status.

20 (b) On January 1, 2018, every owner of a crude oil pipeline
21 that transported, in whole or in part, more than the minimum
22 amount of bitumen at any time in the calendar year preceding

1 and including January 1, 2018 shall maintain insurance coverage
2 in accordance with this Section and maintain that coverage at
3 all times for each pipeline where and when bitumen is being
4 transported.

5 (c) After January 1, 2018, in any year in which a pipeline
6 transports more than the minimum amount of bitumen, within 6
7 months after reporting the transport of more than the minimum
8 amount of bitumen, the owner of the pipeline shall obtain
9 insurance coverage in accordance with subsection (d) of this
10 Section and maintain that coverage at all times for each
11 pipeline where and when bitumen is being transported.

12 (d) To satisfy the requirements of this Section, the owner
13 of a pipeline shall have environmental impairment liability
14 insurance or the equivalent that provides coverage for on-site
15 and off-site cleanup expenses, damages to natural resources,
16 emergency response costs up to at least \$1,000,000, bodily
17 injury liability, and property damage liability for each
18 pipeline.

19 (1) The insurance shall be provided by an independent
20 third-party insurer with an A.M. Best Company, Inc. rating
21 of at least "A".

22 (2) The insurance may be secondary to any other
23 coverage maintained by the owner or provided by the federal
24 Oil Spill Liability Trust Fund, but primary and
25 non-contributory to any coverage maintained by the State or
26 units of local government.

1 (3) The insurance shall be occurrence based.

2 (4) The State shall be listed as an additional insured
3 on the policy.

4 (5) The amount of insurance shall not be less than
5 \$25,000,000 for each pipeline. The Agency, in consultation
6 with the Department of Insurance, shall require additional
7 coverage in accordance with this Section that the Agency
8 concludes would be necessary in a worst-case oil spill
9 scenario where the pipeline owner is not capable of paying
10 to remediate the site and compensate damages, including an
11 annual cost of remediation adjustment, to the maximum
12 available from the market for insurance. If the amount of
13 insurance found to be available in a year is not sufficient
14 to cover the worst-case oil spill scenario the Agency
15 shall:

16 (A) state the amount of the deficiency; and

17 (B) in each of the following years in which a
18 deficiency exists, review the insurance market to
19 determine whether the amount of coverage available has
20 increased, and adjust the coverage to the maximum
21 available up to the amount required to remediate the
22 site and compensate for damages in a worst case oil
23 spill.

24 (6) The Agency shall charge back the cost of making the
25 assessments of a worst-case accident and the availability
26 of the required insurance in the market in paragraph (5) to

1 the owner of the pipeline.

2 (7) The policy shall obligate the insurer to provide 60
3 days notice of cancellation or non-renewal to the Agency,
4 as well as to the owner who has purchased the policy.

5 (8) If the insured has received a 60-day notice of
6 cancellation under paragraph (7), it shall replace that
7 policy with a new policy in accordance with this Section
8 before its existing policy is terminated or otherwise it
9 shall cease transporting bitumen through the pipeline. If
10 the owner's policy has been terminated and not replaced
11 within 60 days, the owner may resume use of the pipeline
12 for transporting bitumen if it later purchases insurance in
13 accordance with this Section, submits proof to the Agency,
14 and receives an order from the Agency certifying the
15 subsequent insurance policy is current and complies with
16 this Section.

17 (9) At all times, the owner shall keep the Agency
18 informed in writing of all changes in the status of the
19 pipeline related to whether it transports more than the
20 minimum amount of bitumen, and, if so, whether it maintains
21 insurance in accordance with this Section. The owner of a
22 pipeline that transports more than the minimum amount of
23 bitumen for only part of the time in a calendar year may
24 elect to maintain its status as covered under this Section
25 as if it transported more than the minimum amount of
26 bitumen for the entire year.

1 Section 99. Effective date. This Act takes effect January
2 1, 2018.