

Homeowner Oil Heating System Upgrade and Insurance Law

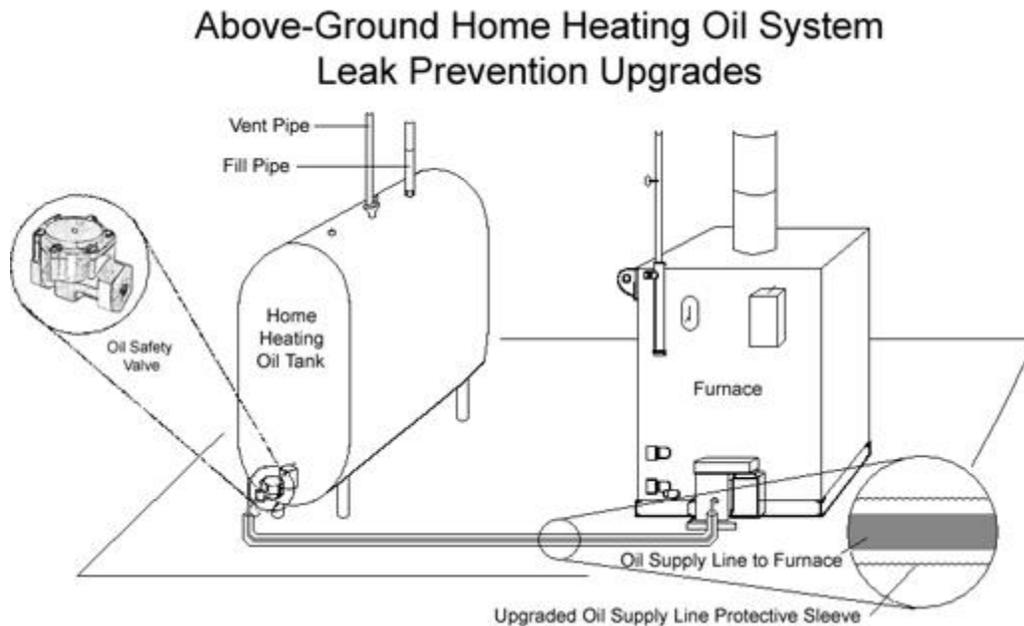
Introduction

This fact sheet contains important information for those who heat their homes with oil. By September 30, 2011, you must upgrade your home heating system equipment to prevent leaks from tanks and pipes that connect to your furnace. By making a relatively small expenditure now, you can prevent a much greater expense in the future.

Massachusetts has a new law to address oil leaks from home heating systems (Chapter 453 of the Acts of 2008, as most recently amended in 2010). This law has two major provisions that require:

- the installation of either an oil safety valve or an oil supply line with protective sleeve on systems that do not currently have these devices; and
- Insurance companies that write homeowner policies to offer coverage for leaks from heating systems that use oil.

Most homeowner policies do not currently include such coverage, leaving many to pay for costly cleanups out of their own pocket. Although it is mandatory that insurance companies make this coverage available by July 1, 2010 to homeowners whose systems are upgraded, the insurance is an optional purchase.



Who must take action?

Owners of 1- to 4-unit residences that are heated with oil must already have or install an oil safety valve or an oil supply line with a protective sleeve, as shown in the diagram above. Installation of these devices must be performed by a licensed oil burner technician. Technicians are employed by companies that deliver home heating oil or are self-employed. It is important to note that heating oil systems

installed on or after January 1, 1990 most likely are already in compliance because state fire codes implemented these requirements on new installations at that time.

Who is exempt?

Homeowners are exempt from taking these leak prevention steps if:

- the oil burner is located above the oil storage tank and the entire oil supply line is connected to and above the top of the tank OR
- an oil safety valve or oil supply line with protective sleeve was installed on or after January 1, 1990, AND
- Those changes are in compliance with the oil burning equipment regulations; a copy of the oil burner permit from the local fire department may be used to demonstrate compliance.

Why comply?

Not only is complying with the new law required, it makes good financial and environmental sense. Homeowners who take these preventive measures can avoid the disruption and expense that can be caused by heating oil leaks. A leak may result in exposure to petroleum vapors in your home. If the leak reaches the soil or groundwater beneath your house, then a cleanup must be performed to restore your property to state environmental standards. Leaks that affect another property or impact drinking water supply wells can complicate the cleanup and increase the expense. Each year, several hundred Massachusetts families experience some kind of leak.

What will an upgrade cost?

The typical cost of installing either an oil safety valve or oil supply line with a protective sleeve ranges from \$150 - \$350 (including labor, parts, and local permit fees).

What could it cost to cleanup a leak?

The cleanup cost for a "simple" leak can be as much as \$15,000. In cases where the leak impacts the groundwater or is more extensive, the cleanup costs can reach \$250,000 or more.

What kind of insurance is available?

To be eligible for the new insurance coverage, homeowners must ensure that their oil heating systems are in compliance with the new law. Homeowners who have been certified to be in compliance with (or exempt from) the leak prevention measures qualify to purchase insurance that:

- provides "first party coverage" of at least \$50,000 for the cost of cleaning up a leak to soil, indoor air, or other environmental media from a home heating system at the residence itself and reimbursement for personal property damage, AND
- Provides "third party coverage" of at least \$200,000 for the cost of dealing with conditions on and off the insured's property because the leak from this system has or is likely to impact groundwater or someone else's property. The coverage also includes costs incurred for legal defense, subject to a deductible not to exceed \$1,000 per claim

What should I do next?

- Determine whether you have had an oil safety valve or new oil supply line with protective sleeve installed since January 1, 1990. If you have, your permit from the fire department for the installation can be used to document your compliance. You can request a copy from the fire department if the permit is on file, or a licensed oil burner technician can certify that status on a form.
- If you do not have an oil safety valve or oil supply line with protective sleeve in place, have one or the other installed and certified. Either contact your oil delivery company to ask if they employ a licensed oil burner technician or find a service person in your area.
- Consider buying insurance coverage for the cleanup of a leak.
 - Determine whether your existing policy provides oil leak coverage.
 - If it does not, consider calling your homeowner insurance agent to amend the policy to include this coverage.