

Steel Tank Insurance Company

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Burlington, VT 05401-4477

stico

May 17, 2002

Mr. Wayne Geyer
Executive Vice President
Steel Tank Institute
570 Oakwood Rd.
Lake Zurich, IL 60047

Dear Wayne:

You recently inquired about internal corrosion coverage under the various underground tank warranties. Specifically, you asked how we would respond if water were found in a tank bottom. Would that provide adequate support for denying a tank failure claim resulting from internal corrosion? This simple answer is no.

Although, STICO has approximately 500,000 tanks covered under various warranty programs, the number of claims per year represents on average 7 per 100,000 tanks. The number of actual tank failures is about half that number. Furthermore we have seen only a handful of claims related to internal corrosion over the past 14 years.

Small amounts of water are present in all tanks. This water cannot be completely removed due to the location of the openings, the head/shell configuration, the location of wear plates and the tank slope. The fact that water is in the tank would not give us reason to deny a warranty claim in the unlikely event that such a claim were to be presented.

Please let me know if you have any further questions regarding the warranty coverage offered by STICO to the members of the Steel Tank Institute.

Best regards,



Brian C. Donovan
President