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Homebuyer beware of old fuel oil tanks

Storage tanks require regular inspections

Get insurance for environmental damage

Just when I thought I had heard about all the problems that can occur in a real estate deal, a new one crops up out of the blue.

When a young couple came into my office for what I thought would be a routine purchase closing last week, they presented me with a problem that threatened to jeopardize the entire transaction.

As they sat down to sign all the papers, they told me they couldn't get fire insurance. Their own agent was unable to arrange coverage, and even the existing insurance company for the vendors declined to issue another policy on the same house.

The problem, it turned out, was the fuel oil tank in the basement. Neither the vendors nor the purchasers knew how old the tank was and, with closing only a day away, no insurance company was willing to provide coverage for a tank of unknown age and condition.

With as many as 7,000 oil tank spills in Canada every year and the tightening of environmental regulations, insurance companies are becoming increasingly reluctant to provide coverage for homes unless the oil tanks are inspected and given a clean bill of health.

Fuel oil heats more than 1.5 million Canadian homes. Some of the tanks date back to the 1930s when they replaced coal as a common source of heat. Most of the tanks, however, were installed during the building booms of the 1960s and '70s.

Some of them are starting to develop pinprick holes in the tank walls or leaks in the fuel lines problems that can go undetected for months or years.

As the tanks age, the likelihood of tank deterioration increases, and insurance companies today are insisting on a thorough inspection before they provide coverage.

Even fuel oil companies will not take on new customers unless the tank is inspected or replaced.

Fortunately for my young clients, at the last minute they were able to find an insurance company which wrote a policy based on the new owners' promise to have the tank inspected and cleaned, or replaced, within a very short time.

Homeowners with fuel oil tanks should ensure they have insurance coverage for environmental damage to their own property.

One unfortunate Nova Scotia homeowner got a bill for \$300,000 to clean up an oil spill from his 15-year-old outdoor tank. That was just the amount of damage to his neighbours' property. While the insurance company paid that bill and the cost of damage to the house and contents, it did not pay for the cost to clean up the owner's own backyard, remove the contaminated soil and replace it with clean soil.

Not all insurance policies cover cleanup and replacement costs for the actual earth in, under and around the house.

Belleville homeowner Bill Hyndman learned this the hard way. When the fuel oil company was filling his basement oil tank, one of the tank supports gave way and the tank tipped over.

It took a month and a half of cleanup efforts before the insurance company told him it was safe to move back into the house, but an independent engineering test confirmed that the oil level in, under and around the house was still 210 times the safe level.

Hyndman bought a second house to live in so his family's health would not be at risk.

The \$180,000 Hyndman house is now worth maybe \$60,000, but the insured cleanup costs are \$900,000 and climbing. Plus, of course, the \$300 bill for the original fuel oil.

New Ontario regulations require homeowners to have a certified fuel oil technician service their oil furnace annually and have the tank inspected by their fuel oil supplier. Fuel oil companies that find unsafe equipment or leaking tanks are required to stop delivery until the equipment is fixed.

In light of new fuel industry standards and insurance underwriting requirements, purchasers of resale homes with fuel oil tanks should make their agreements of purchase and sale conditional on an inspection of the furnace by a certified technician and an inspection of the fuel tank by a fuel oil supplier.

Detailed checklists are available on the Web site of the Technical Standards and Safety Authority at <http://www.tssa.org>.

Buying a house heated by fuel oil has just become much more complicated and homebuyers should exercise caution. Their financial and physical health may depend on it.

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