Project files
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KAISER ENGINEERS

INTER OFFICE MEMORANDUM

PLAINTIFF'S EXHIBIT KEN-166

TO H. J. Hunsaker
AT

DATE February 28, 1986

FROM L. M. Monforte

COPIES TO

AT

JOB NO.

SUBJECT LTV Chicago Works Inquiry
Repack Jamb Casings
Didier Coke Oven Battery

This is in response to your inquiry regarding the adequacy of our insurance for the exposure of asbestos removal.

Our Workers' Compensation and Employers' Liability insurance coverage does not contain an asbestos exclusion. Employee injuries arising out of the handling of asbestos would be treated as any other Workers' Compensation claim.

Our insurance for bodily injury and property damage to outside third parties and for contractual liability (including "employee action-over" claims) arising out of the asbestos hazard is currently very limited. Last renewal, July 1, 1985, all our Excess Liability Insurance policies were subject to an "Absolute Asbestos Exclusion" which precludes coverage for any and all claims arising out of the asbestos hazard. Our primary Comprehensive General Liability policy of $1,000,000 per occurrence/annual aggregate does not contain an asbestos exclusion at this point but if Liberty Mutual and its reinsurers follow the trend set by the rest of the insurance market, I would expect this fact to be reversed in the near future. In otherwords, I would predict that we will be completely without coverage for the exposure of asbestos removal within the next six months to one year.

I would also like to point out that while we do have $1,000,000 in primary Comprehensive General Liability coverage, until such time we are subject to an asbestos exclusion, this limit is an annual aggregate limit with respect to products/completed operations and contractual liability claims.

The advent of the liability insurance "claims-made" form also complicates matters, especially with the long tail associated with asbestos claims. Our liability coverage will most certainly be written on a "claims-made" basis in the future but no one can predict whether or not coverage will apply to an asbestos claim filed ten years from now.

Unforturnately, the alternatives are not encouraging. There is only one insurance company, Great American Surplus Insurance Company, writing coverage for asbestos removal. The policy is claims-made and the maximum limit available is $500,000 per claim/annual aggregate. The policy covers only those jobs specifically scheduled and a fully completed application is required for each individual job. The current insurance premium rates are:

15% of Receipts for Asbestos Removal Operations
4% of Receipts for Non-Hazardous Operations incidental to Asbestos Removal
20% of Receipts for PCB Removal Operations.

Excess Liability Insurance coverage is not available.

I do not know what our potential exposure is but perhaps Paul Thomas can assist in that regard. Considering the foregoing, however, the lack of adequate insurance coverage should be considered in evaluating whether or not we should pursue this type of business.

LMM/gg