Hanson Industries

Memorandum

To JGT

From ARF

Date June 17, 1987

Subject National Union Fire Ins. Co.
Umbrella Policy #BE 943 9790

Recently you had asked me to review the above captioned policy with respect to exclusions C and E and their impact on Kaiser Cement's rip and tear coverage.

The wording in exclusion C is lucid and without ambiguity and its intention is to exclude coverage under this policy for a product which does not live up to the standards represented by the insured, whether it is a generator that does not produce the promised amount of electricity or concrete that does not meet specifications relating to strength. Therefore, it may be in our best interest to obtain an endorsement specifically stating that exclusion C will not apply in cases of rip and tear, or possibly have this exclusion eliminated altogether. One might also consider how strongly National Union would emphasize this exclusion when payment under this policy will eventually come from the captive.

With respect to exclusion E, the intent of the wording used is to deny coverage for product recalls. The use of this wording for denying rip and tear coverage is nebulous. To prevent any discrepancies by the insurer on the interpretation of this wording exclusion E should be included in the endorsement for clarifying exclusion C.

ARF/mjw

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