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American Insurance Association

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My name is Arthur Spiegelman. I am the Vice President for Engineering and Safety in the American Insurance Association. I am a registered professional engineer in the State of New York and have graduated from the The Cooper Union with a Bachelor of Science Degree in Chemical Engineering. During the past 31 years I have been associated with the insurance industry in positions such as Director of Research, Manager of Engineering and now in my present position.

The PCB's or polychlorinated biphenyls came to our attention in the early 1950's as a fire retardant substitute for oil insulated transformers. At that time, this fire problem was important to our industry. A preliminary survey of our industry indicates that there was a decrease in this hazard after the PCB's (or askarels) were introduced.

The insurance industry has an overall interest in the total loss control aspects of multi-faceted hazards. In this sense, the PCB's fit into the category of a product which alleviates a serious fire hazard but produces an environmental hazard of major proportions. I am submitting to you a copy of our latest publication on this subject, Chemical Hazard Bulletin C-17 Polychlorinated Biphenyls (April 1976). This publication will serve to acquaint you with the extent of our concerns and also indicates the Loss Control measures which we advocate.

In this publication, we have not addressed the two problems facing the EPA at this point of time:

1. The implications of prohibiting further production of PCB's; and
2. The implications of outlawing their use within a period of 2 1/2 years.

It was my understanding that you wished us to discuss these questions from the standpoint of the economic impact on our industry and on those of our insureds.

A prohibition of further production of PCB's appears to be inevitable. The preponderous evidence as to the toxicity and the apparent environmental problems would certainly cause you to act in this direction. From a fire protection standpoint, this will require some readjustments. It would be easier for us to make the changes if we had an acceptable substitute for the PCB's. However, those materials which have been suggested to date, such as --

Diisonyl Phthalate, Dichlorobiphenyl (plus alpaline Derivative), Polydimethyl Siloxane, and Butylated Monochlorodiphenyl Oxide have all been tried. There seems to be some problems associated with each product and we would have to adjust our thinking to the degree and type of problem which each one presents.

For instance, if the fire hazard were increased through the use of a substitute material in the transformers, it might require relocation of the transformers and the use of fire resistive enclosures and water spray protection systems. All of this would be an additional expense and in some cases provide difficulties in finding acceptable space to locate the redesigned transformers. How many of the 125,000 transformers would require this treatment? How much money would be involved? All of these questions and others cannot be evaluated until we know what substitute material has been selected and to what degree the fire protection will be changed.

The second question which involves the time period for outlawing the use of PCB's is one which involves a serious financial responsibility on your part. The removal of the PCB's from the existing 125,000 transformers and the changing of 780 million capacitors places a burden on the users of this equipment which could run into many millions of dollars. To this must be added the cost of discreet and safe waste disposal of the existing PCB's. This will require an educational program of major proportions.

We in the insurance industry will cooperate with you in informing our insureds of your decisions in this matter. We are interested in producing a safe and healthy environment. The target dates depend on the availability of a substitute for the PCB's and the practical aspects of changing the materials and equipment.