UNION CARBIDE

INTERNAL
CORRESPONDENCE

APR 26 1983

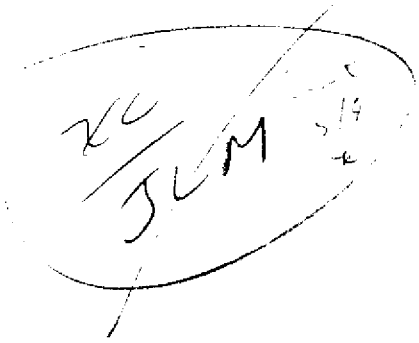
UNION CARBIDE CORPORATION OLD RIDGEBURY ROAD, DANBURY, CT 06817

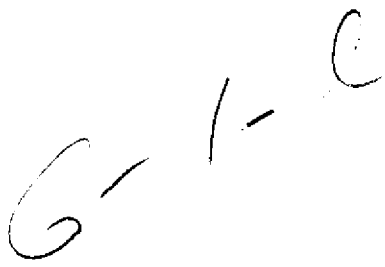
To (Name)	T. W. Carmody - HS&EA	Date	April 22, 1983
Division	S. S. Cunningham - Washington		
Location	W. C. Thurber - Metals	Originating Dept.	HS&EA
Area	R. F. Wolff - Metals	Area	Danbury, CT P2598
Copy to		Subject	Minutes April 7, 1983 Meeting

Attached is a brief summary of our April 7, 1983 discussion. We will continue to monitor the Miller Bill and other developing approaches in the public compensation area.

L. A. Crisorio

LAC/cr
Attachment





MINUTES April 7, 1983 meeting - Review of financial impact of Discussion Draft of the Miller Bill

An ad hoc group met to review the financial impact on the Metals Division of the new proposed Miller Bill. Present were:

T. W. Carmody-HS&EA
L. A. Crisorio-HS&EA
S. S. Cunningham-Wasnington
W. C. Thurber-Metals
R. F. Wolff-Metals

The attached economic analysis of the new proposed Miller Bill was reviewed and discussed. Figures for AmChem and Metals Division Asbestos Litigation were supplied by the Law Department. Estimates of the number of asbestos cases outstanding (industry-wide) and cost to settle such cases was developed using "best available" industry information.

As the economic analysis demonstrates, if the funding were based solely upon market share of asbestos or products containing asbestos as a "significant" ingredient; assuming the Metals Division market share is 1/2 of 1%, the proposed program would cost UCC $93/case using a total cost figure per case of $75,000. If the J. W. Walter asbestos cost study figure of $140,000/case/lifetime were used, our costs would be $175/case.

In view of the Metals Division limited potential for asbestos litigation and the current language of the new proposed Miller Bill which allows other "toxic substances" to be covered by its compensation provisions it was agreed that the corporate concerns relative to the other "toxic substance's provision is paramount." This is particularly true as it (Miller Bill) could be used as a vehicle for private (industry) funding of a public health program by declaring large numbers of substances as the causative factor of diseases which also occur naturally.

2794B

PROPOSED MILLER BILL
FUNDING MECHANISM

For Toxic Substances - 80%

1. Relative market shares of Toxic Substances or product containing Toxic Substances

2. Relative Toxic Substances content

3. Experience in litigation

- 20%

to employers who expose workers to Toxic Substances.

For Asbestos:

50% - manufacturers, importers and distributors of asbestos or asbestos containing products where asbestos is significant constituent element--

factors considered in establishing specific company contribution include:

1. relative market share during respresentative period

2. relative asbestos content

3. litigation experience

4. other factors as deemed appropriate

20% - employers who expose workers to asbestos in course of employment.

30% - manufacturers of products where asbestos is insignificant constituent element.

AMCHEM

Asbestos Litigation Case Load

DATE	NUMBER OF CASES	Δ	ANNUAL	Δ
12/31/78	123	+123		
12/31/79	104	- 19		
6/30/80	142	+ 38	+188	
12/31/80	292	+150		
3/31/81	314	+ 22		
6/30/81	466	+152		
9/30/81	703	+237	+729	~182/qtr.
12/31/81	1021	+317		
3/31/82	1208	+187		
6/30/82	1310	+102		
9/30/82	1142	-168	+285	~151/qtr.
12/31/82	1306	+164		
3/18/83	1366	+60	+ 60	

METALS DIVISION

Asbestos Litigation Case Load

DATE	NO. OF PENDING CASES	Δ	ANNUAL Δ
3-31-79	8	+23	+31
12-31-79	31		
6-30-80	84	+53	+125
12-31-80	156	+72	
3-31-81	225	+69	
6-30-81	221	- 4	
9-30-81	239	+18	- 80
12-31-81	76	-163	
3-31-82	79	+ 3	
6-30-82	206	+127	+ 91
12-31-82	169	- 39	

ASSUMPTION OF DEFENDANT DISTRIBUTION IN CURRENT LAW SUITS (INDUSTRY WIDE)

COMPANY	% PARTICIPATION IN LITIGATION	NUMBER PLAINTIFF/DEFENDANT INTERFACE
UCC involved in 1400 e.g. 14% of cases.		
Johns-Mansville	100%	10,000
Owens Corning	80%	8,000
J. Walter	70%	7,000
Fiberboard	60%	6,000
UARCO	60%	6,000
UNR	60%	6,000
UCC	14%	1,400
+5 Misc.	100%	10,000
TOTAL		54,400

54,400 Plaintiff/Defendant interface 1400/54,400 = 3% of Plaintiff/Defendant interface is UCC share.

UCC LITIGATION COST - AMCHAM

12/31/80 - 292	295,000 - 1,000/case
12/31/81 - 1,021	454,000 - 450/case
12/31/82 - 1,306	629,000 - 480/case

Total Litigation cost - $1,475,000

Have settled 310 cases - cost/case = 4,800

Therefore, for 1,366 cases - total cost for disposal is $6.5MM

Assume cost/case (litigation) is constant
2 years to settle all cases. Therefore, $3.3MM/year - for 1983/84 plus any settlement on claims

COST ESTIMATE
MILLER BILL FUNDING PROPOSAL

1. Assume, for the entire industry 10,000 suits @ 75,000 in 1983 - cost to dispose of $ 750,000,000

   dispose of over 5 yrs (2,000 cases/yr) $ 150,000,000/yr.

2. Miller Bill $ 75,000/case
   fund would pull 50% based on significant asbestos content materials - mkt. share 75,000,000/yr. or 37,500/case

   fund would pull 30% based on minor asbestos containing materials - mkt.share $ 45,000,000/yr. or 22,500/case

   fund would pull 20% based on employer exposure to employees $ 30,000,000/yr. or 15,000/yr

3. Assume insignificant UCC exposure to asbestos, so no UCC contribution to the 20% portion

4. Assume all asbestos business for UCC (Amchem and Metals) fall in "significant" category, so no UCC contribution to the 30% portion

5. For the 50% portion, simplify apportionment process by considering two equally weighed variables:

   (a) market share
   (b) "experience in litigation"

   UCC share of the annual assessment (or per case assessment) is given by the equation:

   $[0.5(a) + 0.5(b)]\ [\$75,000,000] =$ UCC Assessment

   or

   $[0.5(a) + 0.5(b)]\ (37,500) =$ UCC per case assessment

COST ESTIMATE
MILLER BILL FUNDING PROPOSAL

CASE I: If market share was ½ of 1%, and we are named in 3% of litigation

$$\left[(0.5)(.005)+(.5)(.03)\right] (75,000,000) = \$\ 1,312,500$$

$$\left[(0.5)(.005)+(.5)(.03)\right] (37,500) = \$\ 656.25 \text{ per case}$$

If experience in litigation were measured in terms of actual successful claims or even subtracting the number of claims where we were dismissed as not involved, the second term approaches 0, thus simplifying equations to

$$UCC = (0.5)(a)\ (37,500)$$

CASE II: For the ½ of 1% market share, no contribution from litigation experience parameter

$$0.5(.005)(75,000,000) = \$187,500$$

or

$$(0.5)(.005)(37,500) = \$93.75 \text{ per case}$$

$140,000/case/lifetime - Based on Walter study

50% is financed by the significant asbestos containing products market.

CASE I

$$\left[(.5)(a)+.5(b)\right]\ 70,000 = \$1225/case$$

CASE II

$$\left[(.5)(a)+.5(b)\right]\ \$70,000 = \$175/case$$