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Insurers Set for Asbestos Claims

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Victims of asbestos-related diseases have been suing employers and manufacturers with increasing frequency and success lately.

And insurance companies, which are faced with billions of dollars in claims, have reacted by preparing to pay nearly the maximum provided under the policies they wrote.

The lion's share of claims filed will go to two Hartford-based companies, according to industry estimates. One analyst who follows the industry says Aetna Life & Casualty Co. and the Travelers Insurance Cos. may be faced with up to 30 percent of the claims.

The two companies generally don't want to talk about their book of asbestos-related insurance claims, or how much the losses might cost them. But the Travelers concedes it has prepared to pay nearly the maximum loss provided in its policy with Johns-Manville Corp., the nation's leading asbestos maker.

And Aetna said, "We have reserved for the full amount we feel we will ultimately be obligated for. We are reserved for the total amount we expect to pay." Both Aetna and Travelers say future profits won't be affected by the asbestos claims.

What do the firms expect to pay? Aetna says only that the amount could be between $10 million and $30 million under its insurance policies with asbestos-related firms — perhaps a good deal more if reinsurance is included. Travelers would say only "millions."

Insurance companies often reinsure a risk with another insurance company if the risk is considered too great for one company alone.

Oliver L. Patrell, Aetna vice president of commercial insurance, said the insurance industry eventually may be forced to pay asbestos-related claims totaling hundreds of millions of dollars.

Federal Health, Education and Welfare Secretary Joseph A. Califano has warned that as many as half of the 8 million to 11 million Americans who worked with asbestos during and after World War II might die of asbestos-related diseases.

The workers, many of whom were employed in shipyards, inhaled the fibrous material. Once inhaled, the tiny particles irritate the lungs. And after years of continual exposure to the material, the lungs sometimes develop cancer.

Doctors at Mount Sinai Hospital in New York City in 1976 found lung abnormalities in X-rays of 45.9 percent of 1,000 workers at the Electric Boat Division of General Dynamics in Groton.

More than $73 million in damages is being sought by about 110 present and former EB workers because of asbestos-related diseases.

But EB doesn't worry the insurance companies. EB, which stopped using asbestos in 1974, insures itself. The insurance companies are watching EB cases only to learn better ways to handle their own cases.

More than $2 billion in lawsuit claims have been filed by individuals and groups throughout the nation who claim to have suffered from exposure to asbestos.

One lawsuit, filed in California, claims $1 billion in damages under a class action for 5,000 shipyard workers. The suit charges 15 companies with conspiring to conceal or distort reports on the health dangers of asbestos, which is generally used for insulation.

Raymond W. Stahl, senior vice president in charge of claims operations at Travelers, said his company has, over several years, set aside millions of dollars to cover asbestos-related claims so future profits won't be hurt. He would not be more specific.

Stahl said asbestos-related insurance claims probably represent less than 1 percent of the number of property-casualty claims filed last year. But he would not say how much in damages is being sought.

"We did dispose of 419 lawsuits in 1978," Stahl said. Of those claims, the company paid portions of 221 of them. Seven were settled through jury trials and 191 were settled without Travelers having to pay anything.

Aetna would say only that more than 2,000 claims have been filed with it.

Asbestos-related diseases take many years to develop. A company that insured a firm when workers began being exposed to asbestos might not be the same company that provides the firm's insurance when workers first complain about asbestos-related health problems.

Roger E. Copland, an analyst with Washington Analysis Corp., a unit of the Wall Street brokerage Bache Halsey Stuart Shields Inc., said his firm last month completed a study of asbestos-related companies.

He found that because more than one insurance company may have insured a worker during the many years the employe worked with asbestos, claims are often settled with each of the insurance companies paying a portion of the claims.

Copland said the average asbestos-related, product-liability claim is for $1 million. The average settlement is for about $70,000. People with asbestos-related diseases are generally retired or near retirement. Therefore, settlements, which are often based on wages lost due to illness, are considerably smaller than the claims.

However, "It's fairly likely a defendant will get something," Copland said.

The number of claims filed has increased dramatically in the past few years — doubled in the last year alone. If that trend continues, insurance policies will be sufficient to cover claims against asbestos firms for only about two years, Copland said.

When the insurance companies have paid all they must under the terms of their policies, individuals will have to seek damages directly from the asbestos firms, not the insurance companies.

Thus, Copland said, it's theoretically possible for the asbestos-makers to be forced into bankruptcy by the asbestos claims.

"I don't think anyone will allow that to happen."

[illegible] the federal government probably would step in to prevent the bankruptcy of present and former asbestos manufacturers, he said.

"Even if the government intervenes, it doesn't necessarily mean the manufacturers are off the hook," Fatreli said.

Travelers, in the last three years, has received as many claims as in the preceding 10 years. There are many reasons for the sharp increase.

"I believe that is a function of several things. One is medical knowledge and the other is increased knowledge by the public," Stahl said. Also, workers only within the past few years began developing serious diseases from years of contact with asbestos.

Most of the claims are brought under product-liability policies because the workers can get more money that way. Claims for workmen's compensation are limited — punitive damages are not allowed, the insurance men said.

Also, employees can collect workmen's compensation from their employers and then can sue the manufacturer of the asbestos used by the worker's company.

Because of the increasing numbers of claims, Aetna and Travelers are no longer writing new policies to cover asbestos-related losses. They have not, however, canceled policies already in force.

Other insurance companies, similarly, have stopped writing asbestos-related policies. That has forced asbestos manufacturers to insure themselves.

Copland said, for example, Johns-Manville of Denver, Colo., insures itself for up to $12.5 million in losses but the company has also purchased additional product-liability insurance.

Owens-Corning Fiberglass Corp. of Toledo, Ohio, has purchased $100 million of insurance beyond an undisclosed amount of insurance it provides for itself.

But insurance officials and the federal government don't know if that will be enough to cover all the asbestos-related claims.

Johns-Manville alone had 1,010 asbestos-related claims pending as of November 1978. Owens-Corning, which stopped making asbestos in 1972, had 1,070 claims pending as of September 1978, Copland said.

Blanket for
corp. coverage?