

FROM J. V. HOLDER

TO SEE DISTRIBUTION LIST

PITTSBURGH OFFICE - 20 AB

1989 JANUARY 09

RE: ASBESTOS ABATEMENT - A COMPLEX 1060 ISSUE

FOR SOME TIME CONTRACTS HAVE BEEN WRITTEN BY VARIOUS PEOPLE TO BRING OUR PLANT LOCATIONS INTO LEGAL AND CORPORATE COMPLIANCE WITH THE VARIOUS FEDERAL, STATE, AND LOCAL REGULATIONS. SEVERAL ALARMING ITEMS HAVE COME TO LIGHT THAT INDICATE A CHANGE IS REQUIRED.

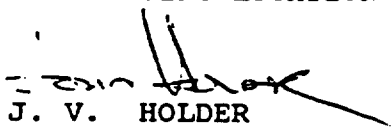
1. THERE IS AN INCREASING AMOUNT OF ASBESTOS LITIGATION OCCURRING IN THE COURTS WITH SIZABLE AMOUNTS BEING AWARDED TO SUCCESSFUL CLAIMANTS.
2. THE COURTS ARE USING STATEMENTS SUCH AS "TO SATISFY THE REASONABLE EXPECTATIONS OF THE INSURED" WHEN DECIDING IF A "SOLE, TRIPLE, OR CONTINUOUS TRIGGER OF COVERAGE THEORY" IS APPROPRIATE ON A CASE-BY-CASE BASIS.
3. LEGISLATION WILL BE INTRODUCED IN 1989 AT THE FEDERAL LEVEL TO EXPAND THE REGULATIONS NOW IN FORCE UNDER AHERA (ASBESTOS HAZARD EMERGENCY RESPONSE ACT). SHOULD IT BE ENACTED, STATE AND LOCAL GOVERNMENTS WILL UNDOUBTEDLY FOLLOW SUIT WITH THEIR OWN PACKAGES.
4. THE INSURANCE INDUSTRY HAS NOT YET COME TO GRIPS WITH THE SITUATION DUE TO THE UNFORESEEN EFFECTS OF EXPOSURE TO ASBESTOS AND THE UNUSUALLY LONG PERIOD OF TIME FROM EXPOSURE TO PROBLEM MANIFESTATION (TEN+ YEARS!).
5. WE HAVE UNCOVERED AT LEAST ONE INSTANCE OF A CONTRACTOR BEING INSURED BY A CARRIER IN BARBADOS, AND UPON CLOSE SCRUTINY, FOUND THAT COVERAGE WAS ESSENTIALLY NON-EXISTENT! CONTRACTOR'S ACTUAL POLICIES MUST NOW BE ANALYZED FOR COVERAGE.

THE LIST GOES ON AND ON, AND THE POSSIBILITIES OF FUTURE LIABILITY AND LITIGATION GROW. THE FOLLOWING PROCEDURE IS EFFECTIVE IMMEDIATELY.

ALL ASBESTOS CONTRACTS WILL BE WRITTEN IN PITTSBURGH IN CLOSE COOPERATION WITH THE VARIOUS FIELD PROCUREMENT DEPARTMENTS AND WILL BE RETAINED FOR THE THIRTY (30) YEAR RETENTION PERIOD. ASSISTANCE WILL BE OBTAINED FROM THE ENVIRONMENTAL CONTROL AND ENGINEERING, INSURANCE, AND LEGAL DEPARTMENTS.

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RE: ABESTOS ABATEMENT

THE CONTRACTS WILL BE WRITTEN USING 1060 TERMS AND CONDITIONS AMENDED WITH ASBESTOS TERMS AND CONDITIONS (MAKING IT A COMPLEX 1060 CONTRACT). IN THIS ARENA THE BENEFITS OF HAVING ONE ISSUING LOCATION CANNOT BE OVEREMPHASIZED.


J. V. HOLDER

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ALL DOMESTIC AND SUBSIDIARY PROCUREMENT MGR'S
(ADDRESSOGRAPH: PDA 3 & 4)