

MINUTES OF THE ANNUAL MEETING

of the

FRICTION MATERIALS STANDARDS INSTITUTE, INC.

Wednesday and Thursday, June 16 and 17, 1982

at

Sawgrass, Ponte Vedra Beach, Florida

CONTROL

1918



ACTIVE MEMBERS PRESENT

Abex Corporation  
Bendix Corporation  
Brasbestos Manufacturing Corporation  
Certified Brakes, Lear Siegler Company  
Delco-Moraine Division  
Guardian Corporation  
Nuturn Corporation  
P. T. Brake Lining Company, Inc.  
H. K. Porter Company, Inc.  
Raybestos-Manhattan, Inc.  
Reddaway Manufacturing Company, Inc.  
Thiokol Corporation  
Virginia Friction Products  
S. K. Wellman Corporation  
Wheeling Brake Block Mfg. Co., Inc.

REPRESENTATIVES

Robert E. Nelson, Vice President  
Francis E. Messier  
William Simon, Treasurer  
Robert J. Anderson  
Donald L. Enrick  
Norman Morse  
Larry DeFrance  
Stuart Comins  
W. Max Sleeth  
David E. Cunningham  
John M. Moore  
John P. Gallagher  
Thomas Kennedy  
Gordon A. Carrigan, President  
Lee Burgess (6/16)

OTHERS PRESENT

Abex Corporation  
Bendix Corporation  
Cougar Automotive Corp. (Regional)  
Delco-Moraine Division  
H. K. Porter Company  
P. T. Brake Lining Company  
  
Raybestos-Manhattan, Inc.  
Reddaway Manufacturing Company  
Wheeling Brake Block  
Asbestos Compensation Coalition  
  
Legal Counsel  
Friction Materials Standards Institute

Philip H. Grim, Jr.  
James W. Armstrong  
Alex Tabori  
Fred Yost  
George J. Bohrer  
Steve Doyle  
Ben Kublin  
Donald J. Tests  
F. William Barton  
Rob Burgess (6/16)  
Dave Pullen (6/16)  
Dennis Ross (6/16)  
Robert P. Gorman, Counsel  
Edward W. Drislane, Secretary

Mr. Carrigan, President, called the meeting to order at 1:30 PM, June 16, 1982. As the first order of business, Mr. Carrigan called for a roll call.

Mr. Robert E. Nelson, Abex Corporation  
 Mr. Gordon A. Carrigan, S. K. Wellman Corporation  
 Mr. P. William Barton, Reddaway Manufacturing Company  
 Mr. David E. Cunningham, Raybestos-Manhattan, Inc.

Mr. Carrigan, President, called for nominations from the floor. Mr. Comins offered the name of Mr. Norman Morse of Guardian Corporation in nomination. Mr. Morse declined the nomination.

Upon motion duly made, seconded and unanimously passed, it was:

RESOLVED: That nominations for the Board of Directors be closed.

The Secretary was directed to cast one ballot for the election of Mr. Robert E. Nelson, Mr. Gordon A. Carrigan, Mr. P. William Barton, and Mr. David E. Cunningham to the Board of Directors. The Secretary advised that the ballots had been so cast. The President advised that with the election of these four Directors that the Board had the required seven Members.

Mr. Messier advised the Membership that it was the Committee's intention to recommend the following slate of Officers for election at the Board of Directors meeting following the first Membership session:

|                    |   |                        |
|--------------------|---|------------------------|
| For President      | - | Mr. Robert E. Nelson   |
| For Vice President | - | Mr. Stuart Comins      |
| For Treasurer      | - | Mr. William Simon      |
| For Secretary      | - | Mr. Edward W. Drislane |

#### HEALTH AND ENVIRONMENTAL AFFAIRS COMMITTEE

Mr. Armstrong, Chairman of the Health and Environmental Affairs Committee, presented this report. Refer to EXHIBIT 9.

Mr. Armstrong noted actions taken by the Committee and the Institute Office since earlier meetings. He noted in particular that concern was rising relative to litigation in the asbestos area, and proposals for Federal Legislation in the Compensation area. Based on this concern, the Committee met with representatives of the Asbestos Compensation Coalition relative to its activities, and recommended that a representative of this Coalition address the full Membership at this Meeting.

He also noted the concern with landfill and waste disposal requirements. At its meeting, this Committee asked that the Board of Directors approve a request to the Federal EPA on approved landfills for friction materials waste, and asked that the Board suggest the means for making such a request. Mr. Armstrong reviewed general OSHA and EPA activities in areas of concern to friction materials manufacturers and noted that the Institute had written NIOSH for either a final report or a status of the NIOSH contract for "Health Hazards in Brake Lining Repair and Maintenance Workers Occupationally Exposed to Asbestos."

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Mr. Armstrong discussed litigation and it was noted that if an individual was covered under workmens compensation, that party then could become a plaintiff in a third party suit against a supplier of asbestos or asbestos products. The problem with landfills was that their availability was drying up, and sites and waste transporters were less accessible and considerably more expensive. The waste problem is probably more of a chemical problem with phenols, formaldehyde, solvents, and the like. It was noted that representatives of the Asbestos Compensation Coalition were at the meeting, and their presentation might answer questions in the litigation and insurance areas.

Upon motion duly made, seconded and unanimously passed, it was:

RESOLVED: To accept the report of the Health and Environmental Affairs Committee as written.

#### ASBESTOS COMPENSATION COALITION

The President welcomed Mr. Dave Pullen of the Asbestos Compensation Coalition to the Meeting noting that Mr. Pullen had been invited to address the Membership after earlier contacts with Mr. Armstrong's Health and Environmental Affairs Committee. Mr. Carrigan felt it was timely that the Coalition had accepted this invitation to our Meeting because of the increased concern on litigation and insurance relative to asbestos exposure cases.

Mr. Pullen introduced Mr. Dennis Ross who is also with the Asbestos Compensation Coalition. Both Mr. Pullen and Mr. Ross presented the Coalition's up-date on the compensation issue and alternated in this presentation. For background, it was noted that the following were members of the Coalition: Celotex Division of Jim Walter, Asarco, Pittsburg Corning, Unarco, Johns-Manville, Raybestos-Manhattan, Amatex, and Eagle Pitcher. The earlier legislative initiatives were noted including the Hart Bill, the Fenwick Bill and the Miller Bill. The Coalition saw merits and shortcomings in each of these, and felt that while they did not have a complete package to offer at this time, they needed broader support and would encourage meaningful input from Institute Members and others.

In describing the extent of the litigation, it was stated that there now are 18,000 lawsuits in the asbestos area, and there are more asbestos related lawsuits in the courts than car accident suits. The allegations are that asbestos products manufacturers knew of the health problem and did not warn the exposed worker. Lately the issue of "strict liability" has arisen where it would not matter if the manufacturer didn't know of the health hazards--he could be held liable in any event.

The increase in litigation has several roots. There has been an erosion in the exclusivity of workmens compensation as the remedy in cases of exposure. The plaintiff bar favors this activity as the fees are on a contingent basis. Some State Workmens Compensation Programs are plainly inadequate requiring that claims be filed within two or three years of exposure. Some State plans are now moving to requirements of two to three years after manifestation of the disease.

Mr. Pullen suggested the poor distribution of funds to the injured party with distribution of a typical \$100,000 award. Such an award could go up to \$60,000 in fees, \$5,000 in costs, \$10,000 to repay Workmens Compensation, and the final \$25,000 to the injured party for lifetime medical costs. Counting the costs of the defendant parties, and including the costs of defending successfully where no award is made, it may cost \$200,000 to get \$15,000 to the injured party. This system of awards is wasteful, and it is suggested that some other system should be better. A suggestion that there be fifty uniform laws in this area for the 50 States is both unrealistic and costly. It is suggested additionally that such uniform plans in the 50 States does not bring the United States Government in as a participant when the Government-run shipyards of World War II have been responsible for a majority of the cases in litigation today.

Mr. Pullen and Mr. Ross suggested that if a State-by-State approach is not the solution, that the solution may be the Federal Government, acting on Four Principles:

1. Settlement be prompt, adequate and equitable
2. Proof of injury would be on clearly defined medical evaluation (avoiding the "black lung" theory where any exposure is sufficient "proof")
3. Costs would not be dumped on the taxpayers--the burden must be on those responsible.
4. Such settlement would provide the exclusive remedy, prohibiting third party litigation.

Mr. Pullen noted the three earlier legislative initiatives on asbestos compensation: S1643 - the Hart Bill, HR5224 - the Fenwick Bill, and HR5735 - the Miller Bill. Both the Hart Bill and the Fenwick Bill are dead. While the Miller Bill is technically alive, it is probably politically dead.

The Coalition has recommended a new legislative approach. Among the advantages would be that it does not federalize workmens compensation, but rather works within the existing State workmens compensation framework. It would safeguard the funding, as the implementing resolutions would have a limited life of five or ten years, and the entire resolution could be terminated if the pay-out exceeded the funds available, which would re-instate tort litigation as the remedy. In other words this would avoid possible unlimited funding which could result from legislation of the "black lung" variety.

Copies of a "Summary of the Occupational Disease Compensation Improvement Act and the Implementing Resolution for Asbestos Related Diseases" were distributed. The Coalition had prepared these Summaries to describe generally the legislative approach recommended. The Act would be a generic approach not limited to asbestos which could function for a range of occupational diseases. This would relate to the types of diseases, the provision of benefits, interaction between Federal and State Programs, and financing of the fund. The proposed Act would provide that this remedy was the exclusive remedy for those injured by the occupational disease. The Act would provide for Implementing Resolutions for the different occupational diseases and these resolutions would provide for a limited life of the resolution and that the resolution could be terminated if the pay-out exceeded available funds absent enacting additional authorizations.

It was suggested that if the existing system of tort liability is not changed that there will be bankruptcies within this industry. There may even be bankruptcies by the insurance carriers, as there now are 400 to 500 new cases being litigated monthly. It was noted that solutions to this problem were complex, and that if there is no solution many asbestos products manufacturers may go out of business. The Coalition at this time requests input from any interested party and that when a draft of the legislation is available, the Institute and its Members might help with constructive criticism of the proposed Act. Now is the time to discuss the plan, and as nothing is now cast in concrete, this is the best time for input. It was stated that the Coalition should have the language ready in the next month or so and would hope to have copies ready for the Institute and other interested parties at that time. They would hope to have the proposed Act in the legislative hopper by late 1982.

The Coalition's proposals were opened for questions and discussion. In answer to a question on cooperation with the Coalition, Mr. Pullen noted that the Coalition would welcome applications for Membership in the Coalition from interested parties. Questions were asked on financing the fund and it was noted that assessments would be made on a formula based on each manufacturer's defendant settlements and judgements and on the number of pending lawsuits.

Mr. Pullen noted that it was possible that his company (Johns-Manville) might end up being assessed a higher proportion of the costs of the fund, but that such a program would compensate those funding it with injured parties giving up tort rights. The efficiency of such a program would be that up to 85% of the costs now consumed in tort litigation could be eliminated. He noted that currently about 2% of cases go to verdict, and about 65% have been defendant verdicts. As some other than Johns-Manville cases have had 85% defendant verdicts, Johns-Manville may end up paying a higher percentage fee than others. It was noted that one defendant had won 16 out of 18 cases, and that the process of settlement has increased litigation. Some defendants may reappraise their litigation strategy and prefer going to verdict rather than settling.

It was noted that Dr. Selikoff had predicted 10,000 excess lung cancer deaths per year from asbestos exposure along with 2,500 asbestosis cases and 2,000 to 3,000 mesothelioma cases. While most observers believe Dr. Selikoff's projections are too high, this is an indicator of the scope of possible litigation. One party questioned if an alleged victim of asbestos exposure could readily make his claim through the intended compensation fund, wouldn't this open even more claims than tort litigation. In response, it was noted that some observers feel the "jackpot" settlement of tort litigation is more attractive to the alleged victims.

With this open discussion concluded, Mr. Armstrong, Chairman of the Institute's Health and Environmental Affairs Committee, suggested that Mr. Pullen's and Mr. Ross's presentation had given the Members a broader perspective on the issues, and he asked for more participation of the Members in the work of his committee. It was stated that some Members may wish to participate as individual Members of the Coalition, and that the Institute wished the Coalition to maintain liaison with the Institute through its Health and Environmental Affairs Committee. It was asked that the Coalition place the Institute on its mailing list, and that the Institute would forward data on to its Members. Mr. Pullen and Mr. Ross projected that the draft of the proposed new legislation would be available in two or three weeks, and that a draft would be sent to