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OFFICE OF SECRETARY
DOCKETING & SERVICE
BRANCH

September 17, 1985

Secretary of the Commission
Attention: Docketing and Services Branch
Nuclear Regulatory Commission
Washington, DC 20555

Reference: 85-82; Proposed Rule Changes

Gentlemen:

I am enclosing an article from the June 10, 1985 Fortune Magazine and an article from a recent John Liner Letter and an article from the recent Business Insurance Journal. These articles accurately identify the extreme difficulty that companies (licensees) are experiencing in obtaining insurance policies to cover the cost associated with release of pollutants to the enviornment.

Should the NRC adopt the proposed rule changes I believe costs for services of the licensees will be increased significantly due to a reduction of licensees (some companies may not meet the "Financial Assurance" tests) and/or the increased insurance premium costs.

I would suggest that the NRC apply this rule only to licensees who are authorized to utilize significant quantities of high activity and long half life radioactive materials. The potential clean-up cost for small quantities of low activity, short half life materials must certainly be less than large quantities of high activity, long half life materials. Perhaps a "sliding scale" should be prepared which establishes a financial assurance level appropriate to the amount and/or type of radioactive material licensed.

I would also suggest, that since the private insurance industry is unwilling to underwrite the costs, that the government provide an insurance policy as an option to the licensees.

Sincerely,

CHERNE CONTRACTING CORPORATION

Gregory A. Rosier

Gregory A. Rosier
Corporate QA Manager

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Acknowledged by card .... pd

NAKED CAME THE INSURANCE BUYER

Going bare is the term for getting along without property and casualty coverage. In a litigious world it's a chilly, unwelcome experience for corporations. But a sudden sellers' market has made commercial insurance a hard-to-get, expensive-when-you-can item. ■ *by Carol J. Loomis*

INSURANCE COMPANIES have more than one way of refusing your business, says Norman S. Wintemute, who buys coverage for BankAmerica: "They can simply say no. Or they can quote you a fantastically lousy price."

BankAmerica has met both kinds of rejection in the last few months and so have hundreds of other corporations. With a suddenness that has astounded and horrified corporate buyers, the market for commercial property and casualty insurance has turned wicked. Premiums have risen broadly and, for some types of coverage, are up enormously—by 300%, 500%, even 1,000%. The availability of insurance, nevertheless, has sharply contracted. Many corporations do not have as much coverage as they would like, and for some kinds of potential losses have none at all.

In insurance parlance that leaves them "going bare," and most seem appalled at the exposure. In the past the insurance industry, that spreader of risk, has been the fallback in most corporate disasters. Union Carbide, for example, is believed to have $200 million of coverage for the tragedy at Bhopal, India—an amount of uncertain adequacy but balm nonetheless. Bhopal, however, qualifies as "sudden and accidental pollution," a type of coverage now extraordinarily difficult to buy. The probability of a large corporate loss that is not covered by insurance, or only covered meagerly, thus increases daily—as does corporate dread of the event.

The dread is particularly great because most corporations have grown in recent years to want more insurance, not less. Asbestosis, toxic waste, the general litigiousness of society, the tendency of judges and juries to reinterpret the legal doctrines of negligence and fault—all these have driven

RESEARCH ASSOCIATE *Cynthia Hutton*

BankAmerica's Wintemute *couldn't buy directors' and officers' coverage at a price he'd pay.*

PHOTOGRAPH BY MICHAEL ALEXANDER

home the need for bountiful insurance protection. And now it's in scarce supply.

Rivers of tears for the buyers are not totally justified. The property and casualty business is relentlessly cyclical, and for five years before the market turned last year, corporate customers enjoyed a hotly competitive, ever-softening market. Originally, insurers cut prices to haul in premium dollars they could invest at the high interest rates that prevailed; ultimately, they scrambled for premiums to cover the claims rolling in from the bad business they had underwritten. In that leg of the cycle, prices for commercial insurance fell in some cases by 50% or more.

The corporate folk who buy insurance—called risk managers—knew prices were absurdly low. But few argued for a return to sanity, naturally, and some abandoned their traditional suppliers to shop for the cheapest prices around. They are now riding a ricochet. A threefold rate increase sounds punitive; but if the base rate is one-third what it was at the last peak—and such cases exist—the rise is no more than restorative.

WRETCHED RESULTS for the insurance industry in 1984—around \$3.5 billion of pretax operating losses—produced the ricochet (see chart). Reinsurers, who assume some of the risks that primary insurers underwrite, finally forced the end to the soft market. Throughout the year the reinsurers jacked up premiums and retreated from some lines of business, putting pressure on primary insurers to follow suit. Then, on December 3, came Bhopal, rocking the market just as insurers, reinsurers, brokers, and customers were negotiating renewals for the great number of commercial policies and reinsurance treaties that expire on January 1. Using a metaphor that is unintentionally ghoulish, one broker says Bhopal "put the last nail in the coffin" and "scared the living wits out of reinsurers." A tight, tough sellers' market promptly materialized and has worsened since.

The most tangible part of the problem is the increase in premium rates, which is wrecking corporate budgets approved last fall. The risk manager of a major financial services company says his expenditures in 1984 for insurance—65 different packages of it—were about \$8 million. For 1985, anticipating some tightening in the market and wanting if anything to overestimate the bill, he budgeted \$10 million. "Today," he says, "it's looking like \$24 million or more. We're writing the numbers on plastic now, with crayon, so they'll erase easily."

For their money, companies are getting substantially less coverage, at both the top and the bottom, than they got in 1984. At the bottom, businesses are taking higher "retentions"—deductibles, so to speak. At the top, where the slice is thicker, businesses have lost the high dollar limits they prize as protection against catastrophes.

Why, given the law of supply and demand, aren't the high limits available at a price? Maybe they are. Perhaps the buyers just haven't yet begun talking prices that would bring the supply out.

Corporate budgets for insurance set up last fall are being wrecked. Says one risk manager: "We're writing the numbers on plastic now, with crayon, so they'll erase easily."

But another explanation is the so-called capacity problem, a creature of insurance regulation. Trying to make sure that policyholders' claims can be paid off, state insurance departments judge the soundness of insurers on easily measurable criteria. One, called the risk ratio, relates net premiums written (new and renewal premiums minus those passed on to reinsurers) to an insurer's surplus, roughly equivalent to net worth. The rule says that the premiums-to-surplus ratio should not be more than 3 to 1.

The ratio puts a crazy kind of ceiling on insurers during a tight market. They usually enter such a period with surplus depleted, driven down by losses. Were they to choose the most obvious means of getting well—the pursuit of every premium dollar possible—they would soon have a risk ratio unacceptable to the regulators. Consequently, the insurers plead "capacity constraints" to their customers and do not write all the business they can get. They also turn conservative in their choice of what types of risks they will insure. Says Robert Clements, president of the insurance brokerage firm of Marsh & McLennan Inc., "When you have a great contraction in the market, the industry first leaves the area of unpredictable risk."

The exodus is speediest from "excess" coverage that companies seek atop their primary insurance policies. An example is earthquake insurance, on which insurers have done an abrupt about-face. In the soft market, a company could secure \$300 million or \$400 million of excess quake coverage with ease. It could also get the excess, says broker Daniel Batonick of Johnson & Higgins, almost as a freebie, tossed in with other kinds of property coverage. The probability of a U.S. earthquake cannot be much greater this year than last. Yet today \$100 million of excess coverage is about the most a buyer can pull together. "Even with a blank check, we may not be able to get more than that," says Helen Terry, risk manager of Equitable Life, a big owner of California real estate. Terry figures the insurers, focusing on the immensity of their exposure, "finally began to notice how much at risk they are."

High limits are also vanishing from the liability policies that cover such professionals as doctors, lawyers, accountants, engineers, and architects—prime targets of litigants these days. Accounting firms, for example, have proved exceedingly vulnerable to suits charging that they wrongfully gave clean opinions to clients later revealed to be dishonest or financially in deep trouble. Since 1980 the biggest accounting firm, Arthur Andersen & Co., has alone paid out \$137 million in judgments and out-of-court settlements and faces many other suits. In what could be a monster case for Alexander Grant & Co., one of its partners is caught up in the litigation involving ESM Government Securities, a Florida dealer charged with defrauding customers.

Lloyd's of London writes most of the accountants' liability insurance and has grown highly nervous about the profession's exposure. Taking steps to reduce its own, Lloyd's just renegotiated policies with a number of Big Eight accounting firms, lowering their limits by about 35%. Accountants won't say what the new maximum is, but a reasonable guess is \$125 million or so.

U.S. money center banks also insure with Lloyd's, long the principal provider of the fidelity bonds the banks need as protection against robberies, embezzlements, and other crimes. The lead underwriter in this business is Lloyd's Merrett group, which manages several syndicates of investors. Hit lately by heavy losses (most arising from the dishonesty of bank employees), Merrett first considered withdrawing from the business, but instead imposed higher deductibles on the banks. A couple of years ago deductibles of \$2 million or less were common. The

norm now is $10 million and Merrett is pushing for $25 million—what Marsh & McLennan broker Walter S. Tomenson Jr. calls "Merrett's comfort level."

The banks have run into bigger problems in the excess market. At the moment, $150 million of coverage is about the maximum available to a money center bank and limits that big are an endangered species. Financial institutions of all kinds were shocked in March by a sudden announcement from Fireman's Fund, a subsidiary of American Express, that it was canceling all fidelity policies written for financial institutions and would write no more. Fireman's Fund had been a major player in the excess market, able to write a $50-million layer of coverage for a single buyer. But losses on the business had been large and in its announcement Fireman's Fund said it saw neither vigilant screening of risks nor pricing as a solution—so goodbye. The rejection of pricing as a cure suggests the company may have also felt hobbled by its premiums-to-surplus ratio, which at year-end 1984 was nearly 3 to 1, against the industry's average of only 2 to 1.

Companies needing pollution coverage find themselves in the ultimate sellers' market. Growing apprehensive in the early 1970s about pollution liability, the insurance industry divided coverage into two kinds. Coverage for sudden and accidental pollution was included in the general liability policies that businesses buy; it is meant to take in a Bhopal, as well as such occurrences as the spillage of toxic chemicals from an overturned truck, the accidental discharge of harmful effluents into a stream, or an explosion in a manufacturing plant. The second kind of coverage, known as environmental impairment liability, is written under a separate policy and is intended to cover gradual pollution, such as the seepage of buried toxic wastes into underground water supplies. Under Environmental Protection Agency rules, companies handling toxic waste must have both environmental impairment and sudden and accidental insurance, or the financial strength to handle the claims on their own.

But the insurance industry considers environmental impairment risks unmeasurable and therefore uninsurable. You cannot make insurance companies commit suicide, and today almost none are writing environmental impairment policies. At the annual convention of risk managers in April—held, appropriately, in the city of funereal blues, New Orleans—one speaker, broker Robert M. Grella of Alexander & Alexander, named the three suppliers remaining in the market: American International Group; St. Paul Fire & Marine; and Pollution Liability Insurance Association, a consortium. None, Grella said, could offer a buyer more than $10 million of coverage. A speaker from St. Paul Fire & Marine, Kenneth F. Goldstein, contributed further qualifiers, among them his yen to contain risks by doing business only with relatively small companies. Said he: "We're not looking for FORTUNE 1,000 accounts."

Getting coverage, *says Gerald White of Air Products, "is a major, major problem."*

In the other part of the environmental market, meanwhile, the courts have been redefining sudden and accidental pollution to include the gradual variety. Robin A. G. Jackson, a director of Lloyd's Merrett Syndicates, describes the courts as having "driven a horse and cart through the sudden and accidental wording," making it "foolhardy" to continue to provide that coverage. Agreeing, the U.S. industry is scheduled to move in January to a standard general liability policy that will specifically exclude most forms of pollution coverage. Many insurers have already stopped writing sudden and accidental. It can be had, says Grella of Alexander & Alexander, but not easily.

THE PROSPECT of going bare in this danger-laden area frightens many corporate executives, among them Gerald A. White, chief financial officer of Air Products & Chemicals of Allentown, Pennsylvania. White counts himself lucky to have renewed his general liability policy last September, before the crunch. He's covered for sudden and accidental, but he worries that the coverage might not be renewable next fall, when many forecasters expect an even tighter market than now. "What we have here," says White, "is a major, major problem for industry. It's not just chemical companies, it's everybody."

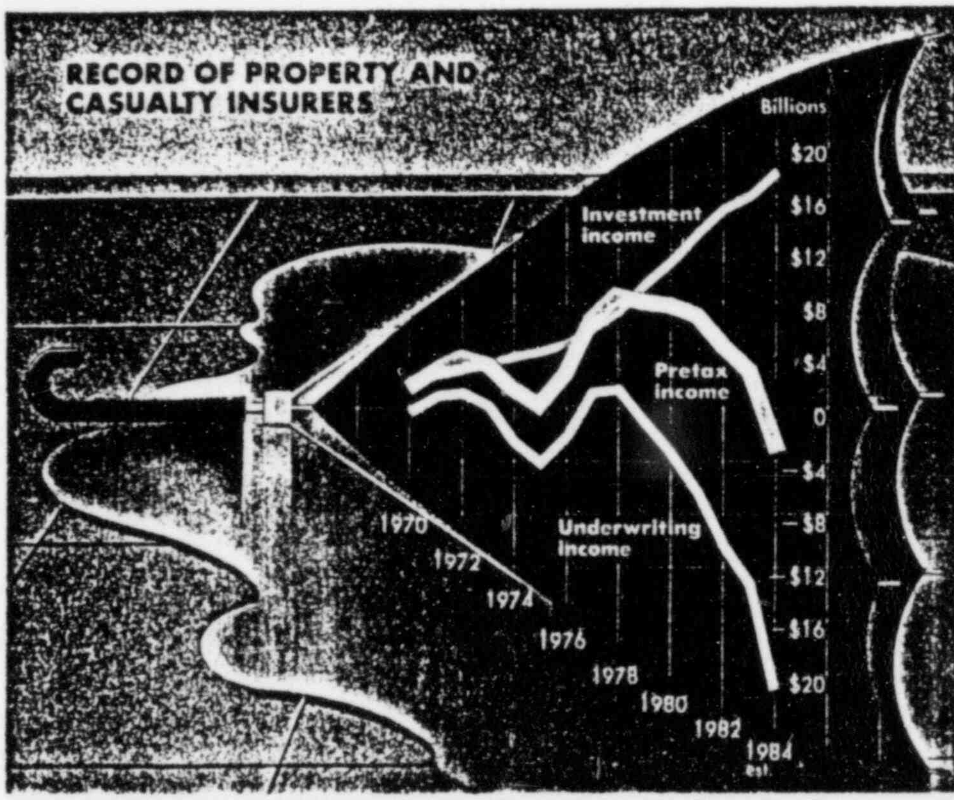
In April, Air Products sold $100 million of bonds in an offering managed by Goldman Sachs and Shearson Lehman Brothers. As they must, the underwriters went through the "due diligence" process with White, digging for information that might have to be disclosed to investors. Considering the major problem that insurance has become for corporations, did the underwriters quiz White about Air Products' coverage? "No," he answers, recognizing the irony, "they never mentioned insurance."

Risk managers are searching madly today for solutions to the problems of high premiums, high deductibles, low limits, and making-the-boss-understand-why-all-this-is-happening. For some companies, one approach to the deductibles could be to relax and regard them as logical. They are a limited form of self-insurance (the industry's euphemism for no insurance), and many companies can easily handle the added risk.

In the eyes of some buyers high deductibles are perfectly affordable but unfortunately apt to cause lurches in earnings. That's because accounting rules do not allow

companies to gradually build reserves for anticipated insurance losses by making periodic charges to earnings. Instead, the companies must wait until the losses come along and only then charge off the costs. The rules do not promote smoothness in earnings, as premiums paid to an insurer do.

In the last tight market, in the mid-1970s, captive insurance companies were the rage among corporations seeking to self-insure.



The Storm That Made an Industry Run for Cover

Today's sellers' market in property and casualty insurance follows a long down cycle that began in 1979. Insurers' rising investment income outweighed losses on underwriting until 1984, when the industry's pretax income (shown here before capital gains or losses) became a red-ink figure.

But the Internal Revenue Service has since pared the tax advantages of captives, and some have also been economic disasters for their parents. Certain companies, however, still find special reasons to set up captives, and BankAmerica has just done so. Forced recently to take a $95-million write-off on overvalued mortgage securities for which it was trustee (FORTUNE, April 1), the company sued several of its own officers for gross negligence and also filed claims against the two insurers carrying its directors' and officers' insurance. One, First State, had earlier given notice that it was canceling BankAmerica's policy; it's one of many insurers cutting back on this type of coverage (FORTUNE, March 18). The other, Employers of Wausau, maintained that the policy did not cover the bank's action against its officers and canceled when the claim was filed. BankAmerica sued both insurers. Meanwhile its director of risk management, Wintemute, began searching widely for replacement coverage. But Wintemute ran into those two types of rejection: no and, from one insurer, an out-of-sight price. This presented a thorny problem: under the laws of Delaware (where it is incorporated) BankAmerica cannot reimburse its officers and directors if they are held liable for damages in suits brought on behalf of the company. They must be covered by an outside insurer.

BankAmerica has created one, so to speak: a captive, based in the Cayman Islands. Wintemute says the captive will deal with the parent at arm's length and will thus be sufficiently independent to meet Delaware's requirements. But some bankers and insurance executives say it's all legal hogwash, since BankAmerica assets will be behind the captive. BankAmerica's directors and officers no doubt devoutly hope that this exotic solution can survive challenge. Otherwise, they are going bare—a far chillier experience for a flesh-and-blood businessman than a corporation.

Focusing on more conventional alternatives than BankAmerica has available, many corporations are now intently studying the possibility of banding together to form captives. The scheme has worked in the past for certain industries denied coverage: Nuclear Electric Insurance Ltd. insures nuclear power plants against damage. Oil Insurance Ltd. (known as OIL, naturally) insures offshore drilling rigs. Today, the New York clearinghouse banks are considering the formation of a captive. Then there's ALAS and ALAC, midwifed by Marsh & McLennan, a whiz at acronyms. ALAS (Attorneys' Liability Assurance Society) was incorporated some years ago by law firms based outside New York City. ALAC (Accountants' Liability Assurance Corp.), just being formed, will provide coverage for medium-size accounting firms.

MARSH & McLennan is now working to form ACE (American Casualty Excess Insurance Co.), by far its most ambitious undertaking. As visualized by Clements, the broker's president, ACE would be a $100-million or bigger stock corporation capitalized by insurers and their corporate customers. The company would specialize in excess insurance and would sell only to its owners (who might also cash in later through a public sale of the company). Clements thinks innovations such as ACE are essential if business is to get the coverage it needs: "The loss of high limits of coverage is not going to be acceptable to corporations."

The problem for any industry captive born out of dire need is that it is a refuge for parties that cannot get insurance elsewhere. That makes it a victim of "adverse selection," in which it attracts more than its share of inferior risks; this can drive away prospective members. If you are a New York clearinghouse bank, do you really want to insure other high-wire acts just like your own?

In a chaotic market like today's, all the questions are hard—but answers will develop. Prices will surely rise further. Supply will surely increase. Outsiders will come in to add their capital; the industry will expand its own, partly through profits to be made in this market, partly through securities offerings that insurers are already scurrying to make. The imbalances in this market may, nevertheless, take time to correct, if only because buyers may have to be hauled kicking and screaming toward the prices necessary to clear a market grown paranoid about risk. ◻

bond should apply in excess of $5,200,000; the second in excess of $15,200,000; the third in excess of $30,200,000. In other words, you would assume the first $200,000 of a loss regardless of how many layers the loss penetrates.

But often, we see excess layers incorrectly written as though the deductible applies within the primary limit. In this case, for example, the excess bonds might be written to cover in excess of $5 million... $15 million... $30 million. Such overlapping coverage could be increasing your premium cost unnecessarily. What's more, you could wind up the victim of some nightmarish loss adjustment controversies among your insurers.

POLLUTION INSURANCE: MARKET PROSPECTS STILL DIM

Last September, you wrote about the dismal market outlook for Pollution Liability insurance. You talked about dwindling capacity, more restrictive underwriting and rising prices. Things seem even worse now. The only insurer willing to give us a quote wants us to foot the bill for a complete engineering inspection first. Any suggestions where we can turn now?

The market outlook is indeed "dismal"... has deteriorated even further since last fall. We said then that only a handful of insurers were writing Liability insurance covering non-sudden, or gradual, pollution occurrences. One major underwriter -- Shand, Morahan & Co. (Evanston Insurance Company) -- has since withdrawn from the market. Two others that had been writing a moderate amount of business -- Stewart, Smith and the Home -- are also inactive now. (We understand, however, that Stewart, Smith may be re-entering the market soon.)

American International Group (National Union) has for some time -- and continues to be -- the major domestic underwriter of Pollution coverage. The only other insurers that appear to be significantly active are some of the member companies of the Pollution Liability Insurance Association: Chubb, Crum and Forster, Kemper, Liberty Mutual, Nationwide and others. The PLIA is a pool of 41 companies that provides 100% reinsurance of the business written by its members.

Swett & Crawford (St. Paul Surplus Lines) has written a moderate amount of Pollution Liability insurance... and is often identified as a current market. However, that organization does not seem to be actively seeking new business. Underwriters at Swett and Crawford tell us that while they are "heavily involved" in the Pollution Liability market, they currently have all the business they can handle.

Two other insurers -- the Hartford and the Travelers -- are also mentioned frequently as markets. They continue to write Pollution Liability insurance for some of their insureds, but strictly on an accomodation basis. One specialty market -- Planning Corporation -- has a Pollution Liability program for service station risks which is underwritten by International Surplus Lines Insurance Company.

So, we can still use the term "handful" to describe the number of players in the current market. Depending on your particular circumstances, you may have encountered an even more limited market, however. For one thing,

few insurers -- including those writing coverage reinsured by the PLIA -- are willing to consider risks without other, supportive business. One notable exception -- AIG -- underwrites on an account-by-account basis...does not require other lines to be placed with the insurer. Swett and Crawford has also written coverage on a "monoline" basis.

The nature of your risk, of course, will have an effect on the markets available to you. Most underwriters are not willing to consider "high exposure" risks -- chemical companies, heavy metal companies, etc. AIG, however, does insure such risks if underwriting and engineering measures can be used to control the exposure effectively. PLIA underwriters with whom we spoke said that they will "look at anything." Bear in mind, however, that any business the pool accepts must first be accepted and submitted by a member insurer.

Typically, a Pollution underwriter will require the completion of a detailed application for coverage. On the basis of the application, the underwriter will assess the exposure...and the ability of management to control the exposure. A detailed engineering survey is then required. In some cases, the insurer may have the expertise to handle the survey in-house; but usually, an outside engineering survey is necessary.

Ordinarily, you must arrange and pay for such an outside survey yourself...the cost of which may run anywhere from \$3,000 to \$8,000 per location. And, there is no guarantee that the underwriter will then accept the risk. Typically, however, the underwriter will determine acceptability and premium cost on the basis of your application...use the engineering report to establish any problem areas that may call for corrective measures...or for restrictive endorsements when your policy is written.

One function served by an engineering survey is to alert the underwriter to problem <u>locations</u>. Pollution coverage is almost never written on a blanket basis; underwriters refer to their policies as "site specific." So, theoretically, they can review your application...require engineering reports... and then issue a policy which does not cover certain sites with serious hazards. In practice, that should only be a last resort. If there is no feasible way to minimize the exposure, your policy could be written to exclude the pertinent hazards at those locations -- air emission, ground water contamination, etc.

Don't expect very high limits of liability from the current market. The maximum available limits for non-sudden coverage are \$10 million per occurrence/\$10 million annual aggregate...offered by AIG. Member insurers of the PLIA may write up to \$6 million/\$9 million. We know of no market for excess coverage.

As for the future of the market, "dismal" is still the best word to describe it. But, here's one final bittersweet thought: the elimination of all Pollution coverage from CGL policies next year could actually help stimulate the market. There <u>is</u> one existing market not plagued by outside reinsurance problems -- the PLIA -- and more and more insurers may feel the competitive pressure to become active in that pool.

Technical advice for **The John Liner Letter** *is furnished by the members of John Liner Insurance and Risk Management Advisers, Inc. and John Liner Associates — independent consultants to business, industry, institutions and government for a quarter of a century.*

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Asbestos producers win property damage case

By STEPHEN TARNOFF

GREENVILLE, S.C.—Two former asbestos producers are not liable for the cost of inspecting and removing asbestos materials from five buildings owned by a South Carolina school district, a federal court jury has found.

The Aug. 15 verdict in favor of U.S. Gypsum Co. and National Gypsum Co. marks the second time in two trials that a jury has found the defendants not liable in an asbestos property damage case.

Last March, a U.S. District Court jury in Knoxville, Tenn., ruled that National Gypsum and U.S. Gypsum were not liable for the costs of removing asbestos and repairing walls and ceilings in two local school buildings (*BI*, March 18).

There have been no verdicts in favor of plaintiffs in asbestos property damage cases.

Defense attorneys see the latest verdict as a hopeful sign that asbestos producers may not face the huge liabilities in the property damage litigation that they face for personal injury suits.

An estimated 100 property damage suits have been filed by school districts and other public and private entities. The suits seek billions of dollars in damages from scores of asbestos producers.

However, an attorney for Spartanburg School District No. 7, the plaintiff in the South Carolina case, contends that the two property damage verdicts reached thus far do not indicate a trend in favor of defendants.

Terry Richardson of the Columbia, S.C., firm of Blatt & Fales, also said the school district is requesting a new trial and, if that motion fails, will appeal to the 4th U.S. Circuit Court of Appeals. "We think our case was meritorious," he said.

The school district had sought to recover $284,000 for the removal of acoustical ceiling plaster containing asbestos from four schools and an administration building built between 1955 and 1970.

The district removed the plaster in 1982 and 1983, in part because the state Department of Health and Environmental Control strongly recommended that the asbestos materials be removed.

Continued on page 26

EPA weighs coverage requirement

By JERRY GEISEL

WASHINGTON—The unavailability of pollution liability insurance is prompting the U.S. Environmental Protection Agency to reconsider rules requiring hazardous-waste facilities to purchase pollution coverage.

The EPA is asking for public comment on whether the so-called financial responsibility rules issued under the federal Resource Conservation and Recovery Act should be changed.

"In response to the dilemma posed by the growing shortage of third-party liability insurance. . .EPA is considering and seeking public comment on the advisability of alternatives to the current requirements," the EPA said.

In a notice in the Aug. 21 issue of the Federal Register, the EPA outlined five alternatives:

- Maintain the current financial responsibility rules.

Under those RCRA rules, all haz-

Continued on page 31

British Airways crash adds to record losses

LONDON—The crash of a British Airtours Boeing 737 owned by British Airways at the airport in Manchester, England, last Thursday will add to already record aviation losses for 1985.

The plane, bound for Corfu, Greece, crashed when one of its engines exploded on takeoff. It was estimated late last week that 60 of the 137 passengers and crew were killed.

Sources at Lloyd's of London estimate the aircraft was valued at $13 million to $14 million.

Last week's crash was the fourth major air disaster in two months. In addition to the victims of the British Airways crash, at least 1,341 people have been killed in commercial aviation accidents this year, including 520 people in the Aug. 12 crash of a Japan Air Lines Boeing 747 in Japan, 131 people in the Aug. 2 crash of a Delta Air Lines L-1011 in Dallas, and 326 people in the June 23 crash of an Air India Boeing 747 off Ireland.

Total hull losses this year are $319 million. In 1984, only two people died, and hull losses were only $60 million (*BI*, Aug. 19).

British Airways has $700 million in liability coverage and up to $95 million in hull coverage for each aircraft, according to a London underwriter. The hull and liability coverage is led jointly in London by British Aviation Insurance Co. Ltd. and the Ariel Syndicate at Lloyd's, the underwriter says.

Neither British Airways nor its broker, Sedgwick Group P.L.C., would comment on the insurance coverage.

But, the London underwriter said British Airways renewed its coverage April 1 with slightly higher rates. Liability rates rose to 17.5 cents for every 1,000 revenue passenger kilometers from 16 cents, and hull rates rose to 33 cents for every $100 of insured value from 32 cents, he said.

Small accountant fighting to keep Big Eight firm in suit

By MEG FLETCHER

CLEVELAND—A small New York accounting firm

Both firms—tiny Frederick Todman & Co. and giant Arthur Young & Co.—audited Bell & Beckwith, a Toledo-based securities broker-dealer that was placed into

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Inc. faces two lawsuits filed slems following the June 14 ht from Athens to Rome.

in federal court in Boston on nd Jack McCarty and Victor ng unspecified compensatory ey, H. Glenn Alberich of the ldings.

n Cook County (Ill.) Circuit ates, Ill. It seeks $1 million in npensatory damages, includ- 6 Montreal Agreement. The nal flights from U.S. airports irline's maximum liability at osts.

he 39 hostages held captive for nduct in negligently operating cking occurred in 1976.

airline's attempt after the m the plane's 145 passengers in settlement offers.

'WA had offered $35,000 to on, Mr. Alberich says. Others erich estimated.

r such settlements could be red to each of the remaining were offered to each of the f TWA and Associated Avia- ead underwriter on the TWA ow many passengers had ac-

verage, according to a London

nents, passengers who were gram could receive credit for hijacking, though TWA does l, said a spokeswoman.

ay in Shell suit

udge has refused to lift a stay ainst more than 200 liability d amount to billions of dollars e dump sites.

Judge William Lanam origi- ing Bermuda-based Oil Insur- utual insurer, must be brought s between Shell and OIL must roceed (*BI*, April 22).

d that without OIL's involve- ase.

EPA regulations

Continued from page 2

ardous waste treatment, storage and disposal facilities must have liability coverage against sudden and accidental pollution incidents of $1 million per occurrence and $2 million annual aggregate.

Firms that manage hazardous-waste landfills, surface impoundment or land treatment facilities are required to have non-sudden and gradual pollution coverage with minimum limits of $3 million per occurrence and $6 million annual aggregate.

- Amend or lower the coverage requirements.
- Authorize other financial responsibility mechanisms, such as corporate guarantees or indemnity contracts. Under such arrangements one party, the indemnitor, would reimburse the other party for losses.
- Issue case-by-case waivers to current financial responsibility requirements for a limited period of time based on companies' demonstrated good-faith efforts to obtain insurance.
- Suspend or withdraw the financial responsibility requirements.

The EPA says it will select one of these five options by Nov. 8.

However, the option selected by the EPA would only affect the 11 states that either do not have state financial responsibility rules or whose rules have not been formally approved by the EPA.

In the other 39 states, waste facility owners and operators will continue to be subject to the requirements set by the state. However, if the EPA reduces its financial responsibility requirements, states may adopt equivalent requirements, the agency said.

To determine whether the financial responsibility requirements should be modified, the EPA says it needs a better understanding of the availability of pollution liability coverage and is, thus, asking for public comment.

Among other things, the EPA wants to know which insurance companies are offering environmental impairment liability and/or comprehensive general liability coverage for facilities covered under financial responsibility requirements.

Only a handful of companies currently write EIL coverage, including American International Group Inc., Pollution Liability Insurance Assn., underwriting manager Swett & Crawford Group, Travelers Corp. and Hartford Insurance Group.

However, Travelers and Hartford only write EIL coverage for policyholders who buy other lines of insurance from them.

Other major EIL underwiters—including Shand, Morahan & Co. Inc., Stewart Smith Inc. and Environmental Risk Assessment Services (International) Ltd. in London—have stopped writing pollution liability coverage in the past 18 months (*BI*, Jan. 28).

Among the other questions that the EPA wants answered include:

- How much in claims have been paid out under EIL policies?
- How have claims payments compared to what insurers have collected in premium?
- How have premiums risen during the last three years?
- How many policies have been canceled by an insurer?
- What limitations are there in the availability of reinsurance?
- What companies offer reinsurance in this line of coverage?
- Why have reinsurers withdrawn from the market?
- Are any captive insurance companies providing coverage for RCRA facilities?
- Are any efforts underway to establish new captive insurance companies to cover environmental risks?
- What limits the establishment of such captives?

The EPA says comments should be filed by Sept. 20. Comments can be mailed to Docket Clerk, Office of Solid Waste (WH-562), U.S. Environmental Protection Agency, 401 M St., S.W., Washington, D.C. 20460.

In addition, EPA has set up a special toll-free hot line for those who want more information. That number is 800-424-9346. ▪

Unions ratify Westinghouse pact

PITTSBURGH—Seven unions at Westinghouse Electric Corp. have ratified a three-year contract that includes an early retirement incentive and enriches some benefits.

The contract was ratified by the last of the unions on Aug. 19, and is retroactive to July 1. It affects 28,500 union workers and mirrors the agreement reached at General Electric Co. in July (*BI*, Aug. 5).

The contract immediately increases monthly pension benefits to between $15 and $21 per year of service, a Westinghouse spokesman said. Monthly benefits will rise again Jan. 1, 1987, to $16 to $22 per year.

Monthly benefits had been between $14.50 and $19.50 per year of sevice, depending on length of service.

In addition, workers with at least 25 years of service have three months after reaching age 60 to accept an early-retirement offer of full retirement benefits plus an additional $200 a month from age 60 to 62.

Previously, workers could retire at age 60 with full benefits but no bonus, the spokesman said.

The contract also sets up a company-paid vision care program that reimburses workers on a fee schedule.

The contract increases medical deductibles to $100 from $50 for individuals and to $250 from $125 for family coverage. But, it waives the deductibles for generic prescription drugs, the spokesman said. Under the new contract, workers pay only 15% of the cost of generic drugs, up to a maximum of $1,000 a year.

The dental plan was changed so that workers can be reimbursed up to $1,500 over a two-year period, rather than the former maximum of $750 per year.

The proposed contract also increases sickness and accident benefits to $250 a week from $225.

And, it gives hourly workers between $26,500 and $43,000 in life insurance, depending on wage level. Previously, they received between $22,500 and $39,500.

Cost-containment measures, including mandatory pre-certification of non-emergency hospital stays and second opinions on selected surgical procedures, also are set in the contract.

Westinghouse's medical plan is underwritten by the Equitable Life Insurance Co. and various Blue Cross plans. Its life, sickness and accident, dental and vision plans are underwritten by Equitable. ▪

DOCKET NUMBER PROPOSED RULE PR-30,40,61 et al.
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HU

HAHNEMANN UNIVERSITY
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DOCKETED USNRC

September 19, 1985

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OFFICE OF SECRETARY DOCKETING & SERVICE BRANCH

Secretary of the Commission
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

Attention: Docketing and Service Branch

Gentlemen:

As an administrator for a medical institution holding several NRC licenses, I would like to comment on the NRC's proposed financial responsibility requirements for cleanup of accidental and unexpected release of radioactive material.

This institution does carry insurance which covers the use of radioactive material.

Consideration should be given to the type and quantity of radioactive material used. It would certainly be unfair for a medical facility that uses materials with shorter half-lifes and smaller quantities than a nuclear reactor site to post the same financial assurances. The amount of financial responsibility should be based on the actual risks and the past history of the facility. If an institution has committed financial resources and personnel in order to establish a good radiation safety program, this commitment is in essence a form of a policy and should be reflected in any additional financial assurances that may be required.

A criteria for exempting our qualifying financial responsibility certainly depends on the type and quantity of material used. A possible criteria would depend on the degree of cleanup necessary to ensure that exposure to the public would meet NRC regulations. This would of course, involve the chemical form, radiotoxicity, half-life and amount of the isotope. Generally, a Tc-99m contamination would be far less costly than that involving Cs-137.

In regard to the NRC regulating non-radiological components of a cleanup, this would appear to be outside of the jurisdiction of the NRC.

As to the financial status of an institution being submitted to the NRC, it may prove easier for the institution to only prove that its policy or guarantee is still in effect. The financial status is privileged information in many cases and the NRC would have to provide safeguards that the information would remain private.

DS10
Add Mary Jo Seeman, 623SS
William Olmstead, 9604 MNBB

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Acknowledged by card SEP 24 1985 pd

Presently, it is difficult to comment on other questions raised because of the lack of specific information. (There appeared to be no information in your proposed regulations that dealt with cleanups involving medical use.) It may prove useful to all parties that after the NRC has received the replies for the Commission to publish this information, and again invite comments.

Yours truly,

Meg McGoldrick

Meg McGoldrick
Associate Executive Director

MM/sah