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Bill would cap asbestos liability

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Federal legislation to create a \$100 billion trust fund to cover asbestos liability claims is expected to be introduced as early as next week.

The insurance industry, affected companies and labor unions want to create a national settlement fund in response to the explosion of lawsuits filed by people injured by exposure to asbestos, a cancer-causing fiber that was used for decades in many products from housing insulation to auto brake shoes. The trust fund theoretically would pay asbestos-related medical costs, cap liability for defendant companies and unclog the U.S. courts.

Minnesota companies including 3M Co., Honeywell International and The St. Paul Cos. have been involved in large asbestos-related claims.

Senate Judiciary Committee Chairman Orrin Hatch, R-Utah, who has proposed a \$108 billion trust fund to pay asbestos injury claims, hopes to see legislation pass this year — before the 2004 elections. Hatch and the committee's senior Democrat, Sen. Patrick Leahy of Vermont, have been working to get agreement among insurers, manufacturers and labor.

Under Hatch's plan, all asbestos-related medical claims would go through a judiciary review process and a special federal court that would distribute trust payments.

All U.S. companies, insurers and reinsurers with asbestos claims would make tax-deductible contributions to the trust, but the industries still are determining how to make those assessments.

Hatch's proposal calls for a total of \$45 billion from companies; another \$45 billion from insurers with liabilities; \$10 billion from companies with potential claims; \$4 billion from bankrupt companies; and \$4 billion from affected companies with stock price gains.

The insurance industry already has about \$28 billion in money set aside for asbestos claims. Insurers support Hatch's proposal.

"It's the best news we've had on asbestos in decades," said Bob Hartwig, chief economist for the Insurance Information Institute, a trade group that's not involved in lobbying for the fund. "We might finally be seeing some closure on this issue."

The affected groups still are negotiating several factors, such as the size of the fund, the allocation of funds and the medical criteria.

Other questions remain: Is the fund large enough? And what happens if the fund runs out of money?

Asbestos liability has led to 70 corporate bankruptcies, the loss of an estimated 60,000 jobs and large claims at insurance companies. Asbestos injury suits have cost \$54 billion through 2000 and future costs could reach \$200 million, according to the Rand Institute for Civil Justice.

"We're fine with any number of the different structures that have been proposed," The St. Paul's chief executive Jay Fishman said this week at an industry conference in New York. "If the price is in some way exorbitant, most of the participants would say, 'Gee that doesn't make a lot of sense to us.' "

As chairman-elect of the American Insurance Association, a trade and lobbying group, Fishman has been involved in discussions about the structure of the trust fund.

"This has been such a big issue that there's a lot of CEO involvement," said AIA spokeswoman Julie Rochman.

Last summer, The St. Paul took a \$380 million after-tax charge related to a \$1 billion to settlement of an asbestos suit. In January, the company said it's satisfied with its \$326 million set-aside to cover any possible asbestos claims in the future.