

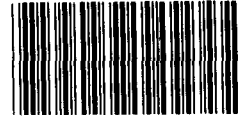
147941



United States
General Accounting Office
Washington, D.C. 20548

Resources, Community, and
Economic Development Division

B-249970



147991

October 14, 1992

The Honorable John D. Dingell
Chairman, Committee on Energy and Commerce
House of Representatives

The Honorable Ron Wyden
House of Representatives

Your March 5, 1991, and May 24, 1991, letters asked us for information on the payment amounts that insurance companies have made for Superfund claims. You specifically requested data on claim payments related to Superfund cleanup costs. As agreed with your offices, to obtain this information, we sent a questionnaire to the top 20 property/casualty insurers, as rated by A. M. Best Company. This letter provides a summary of the questionnaire data, including a table that outlines claim payments by year and by company and explains our survey methodology and data limitations.

In our questionnaire, we requested indemnity claim data by Superfund site for cleanup costs incurred from 1980 (the year in which Superfund was enacted) to 1991. Although few Superfund claims were filed in the early 1980s, we asked companies to report their total claims payments for all possible years. We received responses from 15 of the 20 companies. These 15 companies underwrote about 55 percent of the general liability market in 1990. Thirteen companies provided data for some portion of the time period, and two companies paid nothing in indemnity claims. Enclosure I shows the questionnaire data results.

Overall, the data show substantial increases in indemnity payments from 1982 to 1991. For example, of the 13 companies that made Superfund indemnity payments to their policyholders, 10 made payments prior to 1987 that totaled about \$11 million. Respondents who did not provide data for some years explained that they either did not maintain records or did not make indemnity claims payments before 1987. From 1987 to 1991, however, the 13 companies made Superfund indemnity payments that totaled about \$144

GAO/RCED-93-45R, Superfund Pollution Claims

555729

RESTRICTED--Not to be released outside the
General Accounting Office unless specifically
approved by the Office of Congressional
Relations.
RELEASED

B-249970

million. In one case, a company's incurred claims payments were \$305,000 in 1982 and rose to about \$9.5 million in 1991.

Of the five nonrespondents, two declined to respond without a pledge of confidentiality, and two said that they had technical difficulties in generating the cleanup cost data by Superfund site. We received no explanatory response from the fifth company despite our follow-up phone calls.

Before sending out the questionnaire, we discussed data confidentiality and availability concerns with a leading industry group, the American Insurance Association (AIA). AIA said that its insurance companies would likely be able to respond to our questionnaire and would do so without a pledge of confidentiality because the data would be historical. For this reason and as agreed with your offices, we did not offer a pledge of confidentiality. Eleven of the 20 companies are represented by AIA; 1 company represented by AIA declined to provide data without such a pledge. The remaining four nonrespondents are not associated with AIA.

- - - - -

To ensure that our questionnaire was technically accurate and could be understood by insurance industry personnel, we discussed a draft questionnaire with numerous officials from three insurance companies as well as AIA. We also had telephone contact with all of the insurance officials to whom our questionnaire was sent.

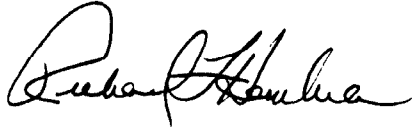
We reviewed the data to verify that the sites reported were Superfund sites. We were not able to confirm that 7 percent of the sites reported were Superfund sites, which represents \$4.1 million (or 3 percent) of \$155.6 million in total indemnity payments. In addition, as agreed with your offices, we did not verify the accuracy of the dollar amounts reported.

Enclosure I does not include payment data for claims settlements involving multiple sites. We excluded these data because the settlements involve nonSuperfund sites and include costs other than indemnity payments. As you requested, we will transmit the completed questionnaires to the Committee under separate cover.

We hope that these claim payment data will assist you in assessing the expenses that insurance companies are incurring in Superfund site cleanup costs.

B-249970

As agreed with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this correspondence until 30 days from the date of this correspondence. If you or your staffs have any questions, please contact me at (202) 275-6111 or Barry Hill, Assistant Director for Superfund, at (202) 512-6501.



Richard L. Hembra
Director, Environmental Protection
Issues

Enclosure

SUPERFUND INDEMNITY PAYMENTS FOR 20 INSURANCE COMPANIES

Dollars in thousands

Company	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	Total
Liberty Mutual				\$ 31	\$ 980	\$2,207	\$3,189	\$3,885	\$10,368	\$11,118	\$7,263	\$6,565	\$ 45,606
CIGNA			\$305	509	6	179	375	3,402	1,728	4,268	7,440	9,484	27,696
Crum & Forster								5	1,200	624	11,453	4,325	17,607
Am. Int'l Group ^a						56	222	110	905	26	5,232	6,821	13,372
Fireman's Fund						170	1,699	222	402	458	1,955	8,186	13,092
Hartford					2		20	454	315	1,015	1,163	3,311	6,280
Zurich							82	366	1,371	1,001	275	2,998	6,093
Continental										915	1,618	2,895	5,428
Royal								44	193	425	2,211	2,200	5,073
Aetna						441	196	140	73	209	1,150	2,853	5,062
Chubb							250	163	240	21	1,789	2,454	4,917
St. Paul						12	68	35	101	306	23	2,286	2,831
CNA Ins. Group					10	22	54	508	531	409	332	697	2,563
Motors ^b													0
Transamerica ^b													0
Home													c
Reliance													c
Travelers													d
Wausau													d
Amer. Finan. Group													e
Total			\$305	\$540	\$998	\$3,087	\$6,155	\$9,334	\$17,427	\$20,795	\$41,904	\$55,075	\$155,620^f

^aIndemnity payments may include some transaction costs that the company could not distinguish.

^bReported that they made no indemnity payments during the survey period.

^cDid not provide data because of technical difficulties in generating it.

^dDeclined to provide data because they regard it as confidential.

^eDid not respond in writing to our questionnaire, even after follow-up phone calls.

^fIncludes \$4.1 million associated with sites that could not be confirmed as Superfund sites.

(160155)