Asbestos: The Next Wave?

Thomas Toce, FCAS

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Introduction

► The next wave of asbestos is likely to be….

Mesothelioma
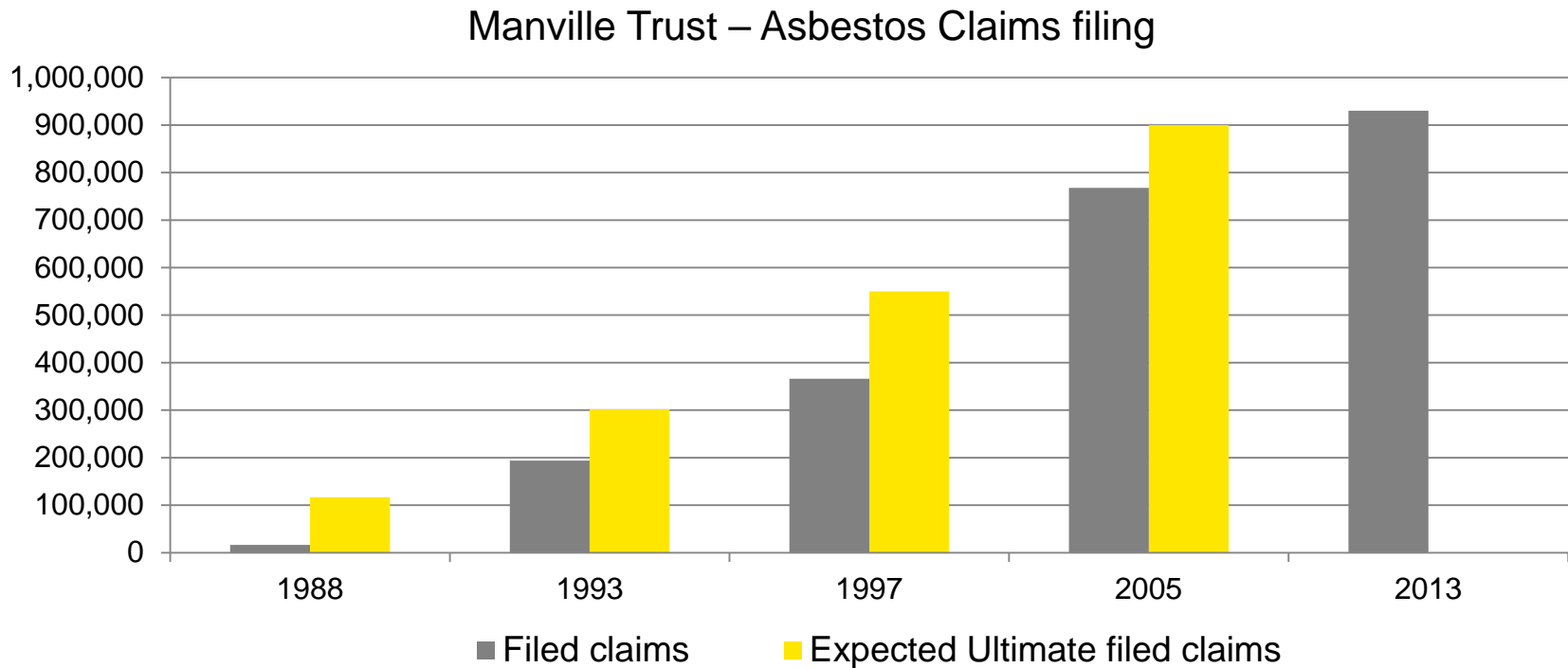
… the same as the last couple of waves

Demography

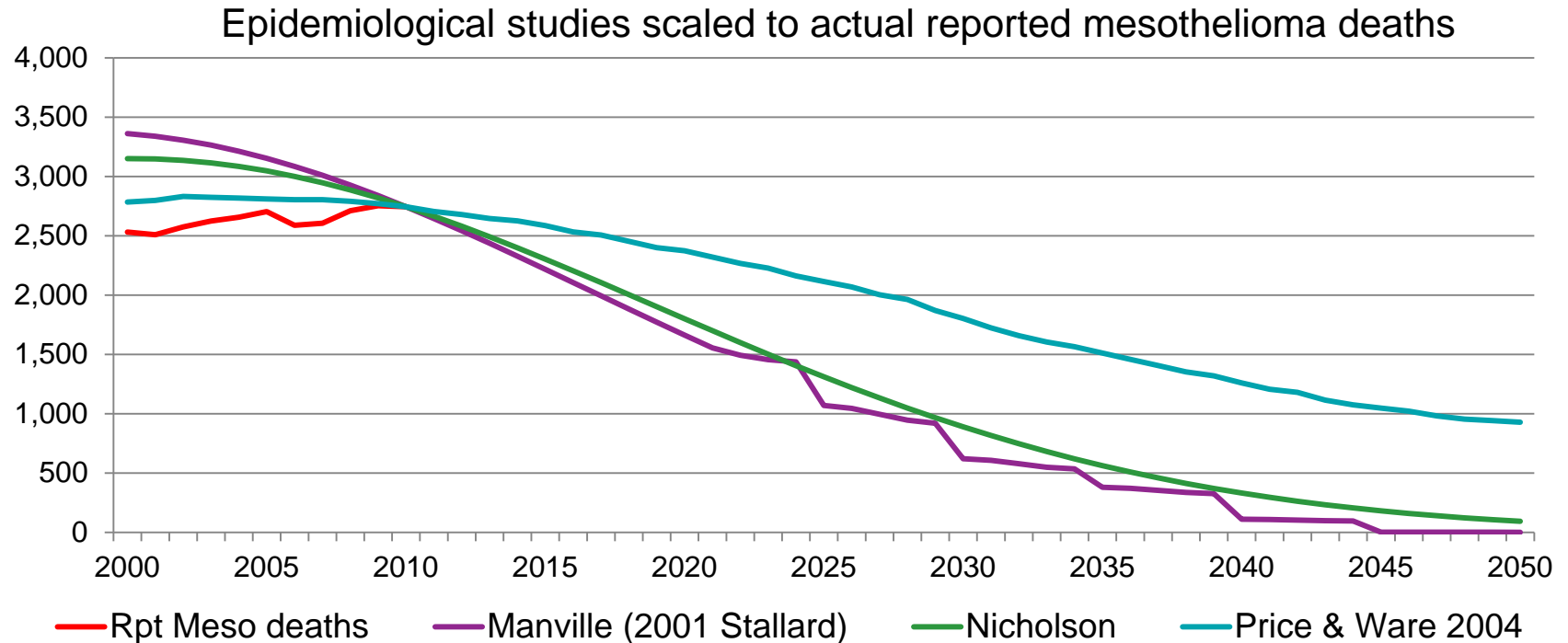► Why? Two reasons:

Propensity to sue

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► But first…. The poor track record of estimating asbestos

Manville Trust – Asbestos Claims filing

► Perhaps unfair…

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► Let's take a look at epidemiological studies

Epidemiological studies scaled to actual reported mesothelioma deaths

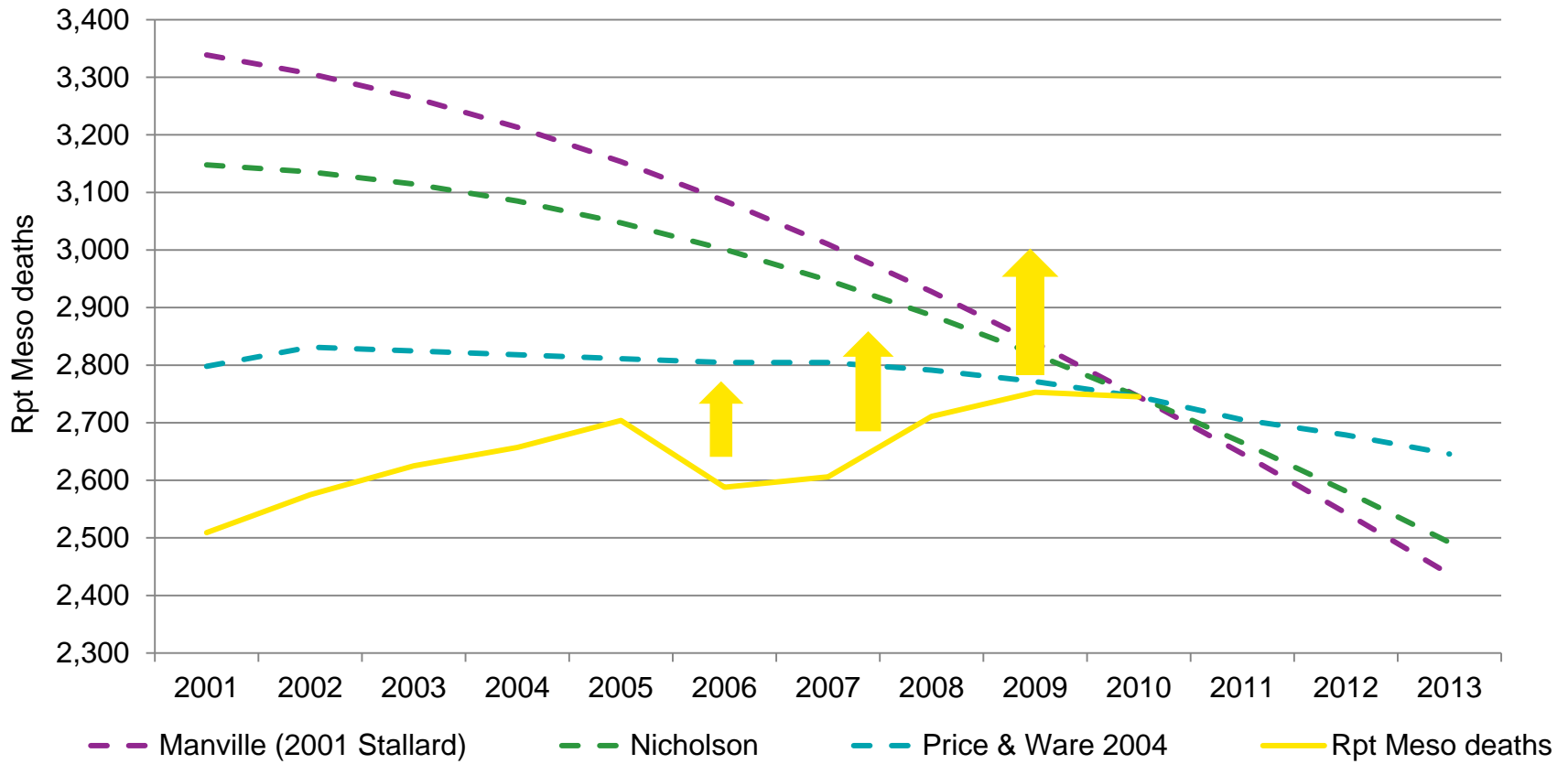Legend: Rpt Meso deaths — Manville (2001 Stallard) — Nicholson — Price & Ware 2004

► Stallard and Nicholson imply that decay in 2014 should be 4% (0.96) with a constant second order decay of 0.9972

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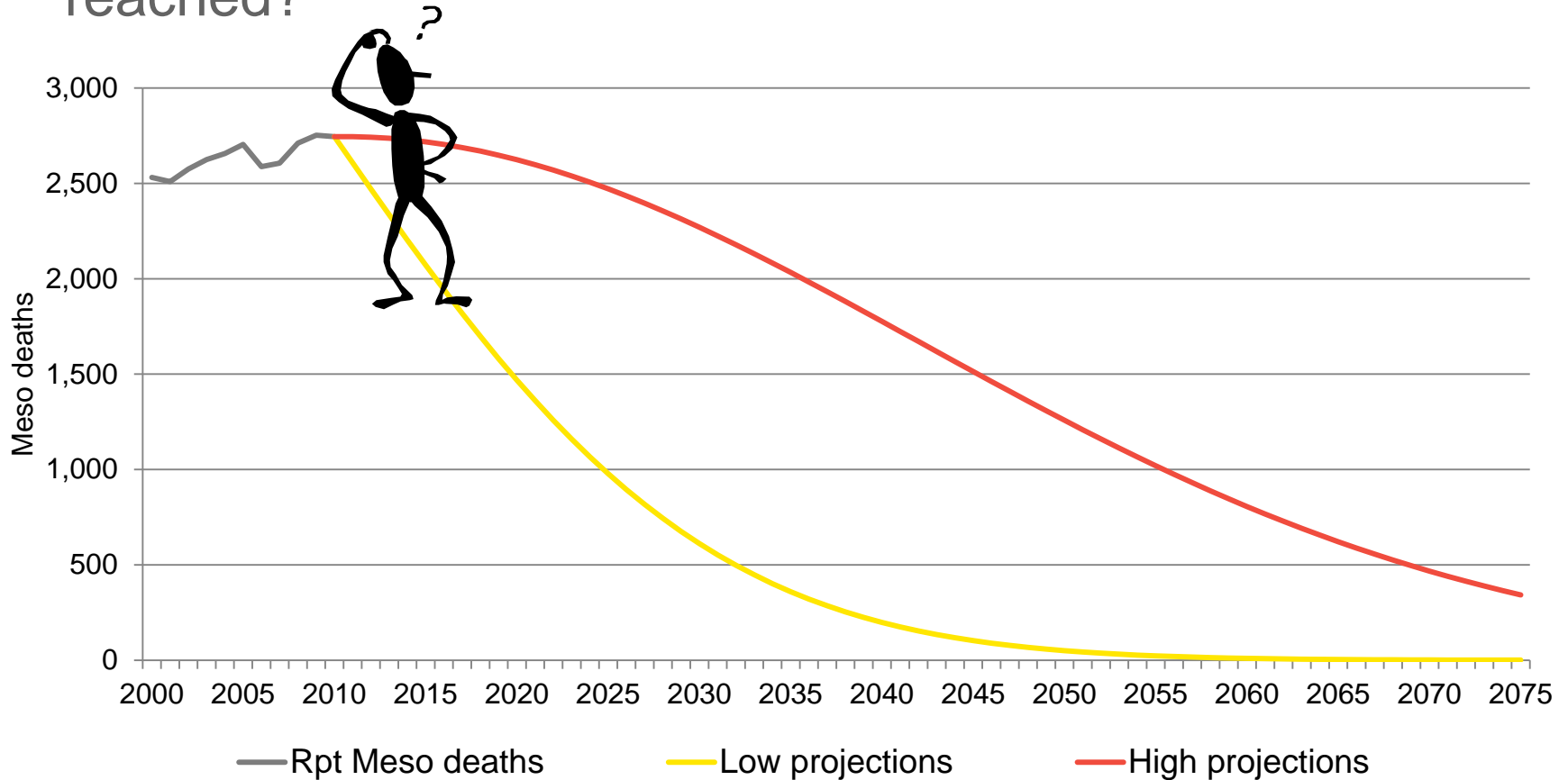► But are we really seeing a decay?

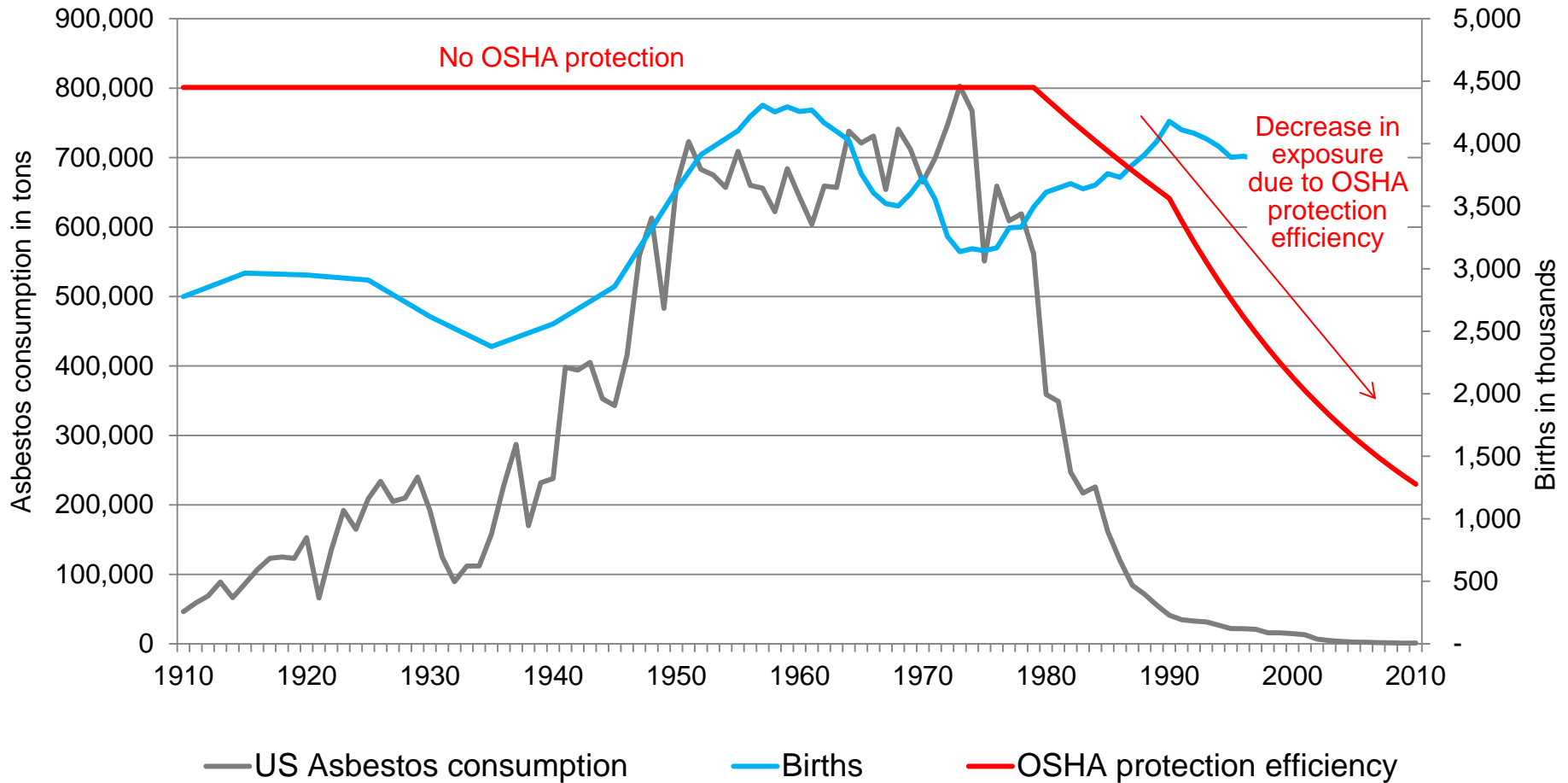   ► Not per CDC   ► Not for some later-tiered defendants seeing upward trends

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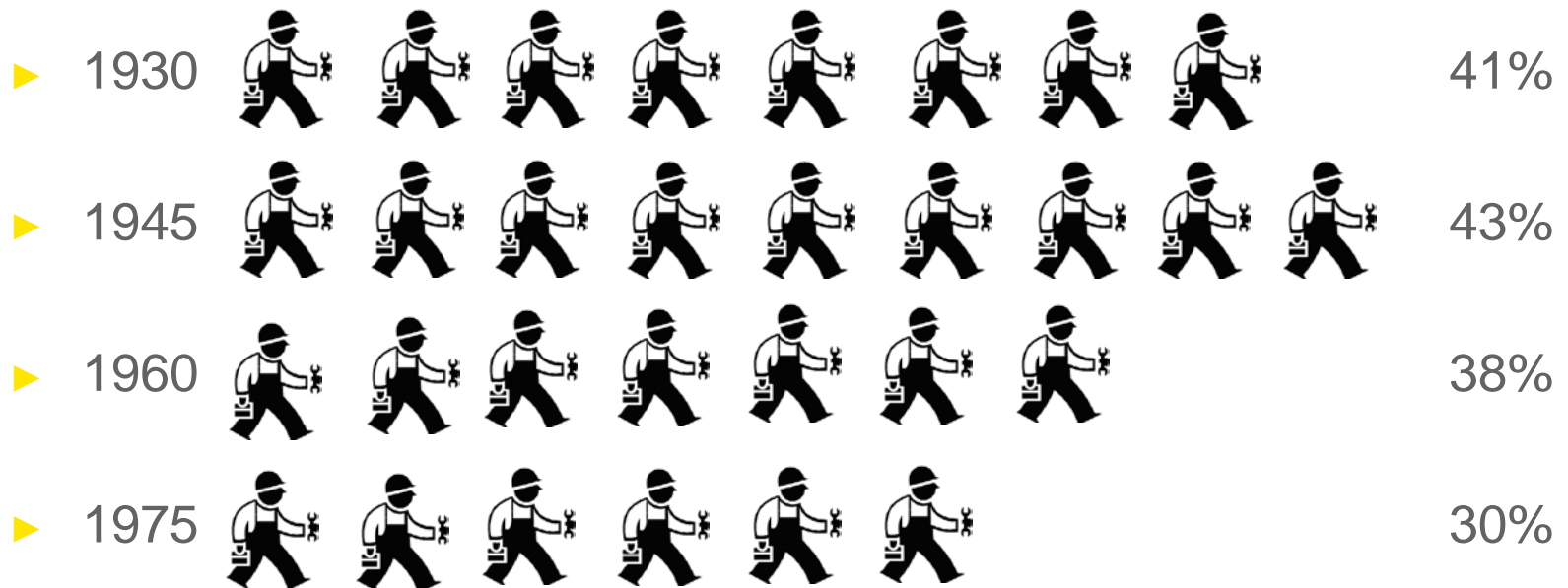► Where is the decay? Has the turning point actually been reached?

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Consider Exposure & Demographic Factors

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Consider Population Occupation

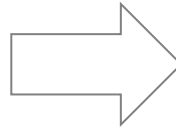► Percentage of the US Population employed in occupation exposed to Asbestos

► 1930		41%
► 1945		43%
► 1960		38%
► 1975		30%

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Consider Exposure Factors

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Modeling Assumptions

► Asbestos consumption

► OSHA measures

► Population occupation

| Year of birth	Exposure Factors		
	Low	Base	High
1900	0.20	0.20	0.20
1910	0.50	0.50	0.50
1920	0.80	0.80	0.80
1930	1.00	1.00	1.00
1940	0.75	0.80	0.90
1950	0.50	0.60	0.75
1960	0.25	0.30	0.50
1970	0.05	0.10	0.20
1980	0.01	0.05	0.10
1990	0.00	0.01	0.05

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So… what's the answer?
Demographic Model results

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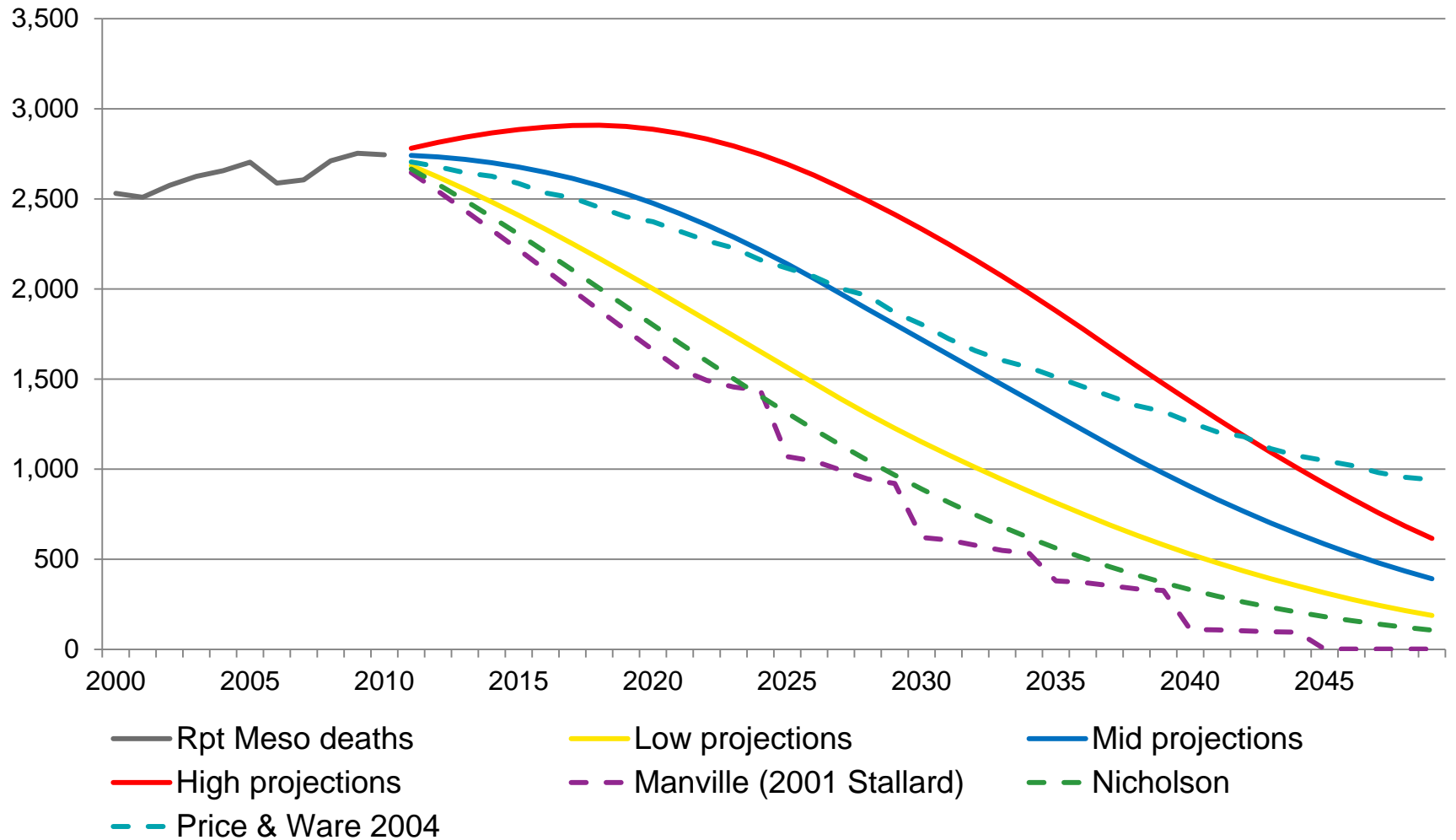
Year of birth of current deaths

► Because age distribution has a 10 year standard deviation we can't observe decline yet

5% of current deaths born after 1952

— Year of Birth distribution - 2010 deaths
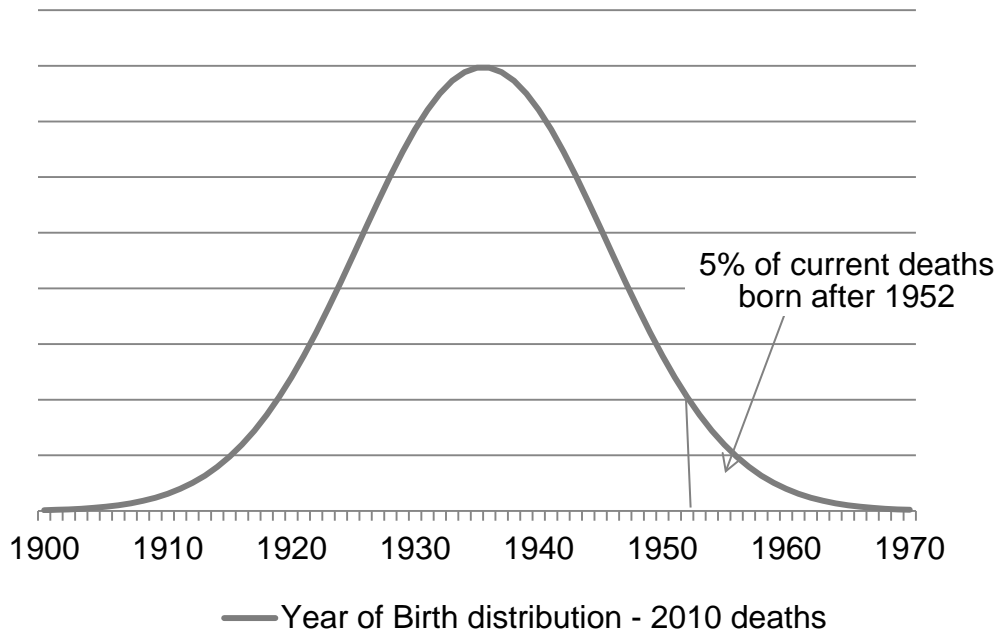
Age	Number of deaths in 2010
<25	0
25--34	11
35--44	26
45--54	104
55--64	345
65--74	805
75--84	1042
≥85	412
Total	2745

► Difficulty to parameterize and test the models:

  ► Current deaths born in average in 1936

  ► Only 5% of current deaths born after 1952

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So… what's the answer?
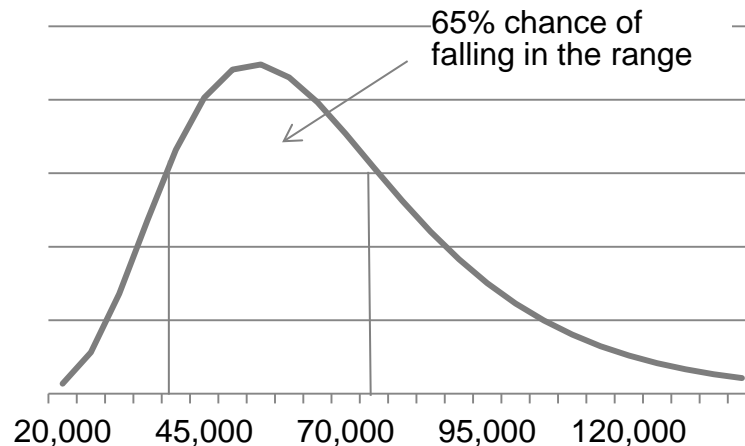## Range

► High uncertainty leads to wide range of answers

► Demographic models results:

	Low	Mid	High
Future number of meso deaths	43,000	60,000	77,000

► Maybe the best way to look at it is through probability distribution:

65% chance of falling in the range

20,000   45,000   70,000   95,000   120,000

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Conclusion

► Demographic factors may explain part of the surge in mesothelioma claims filing

► Other factors include:

  ► More later-tiered defendants brought into litigation

  ► Longevity of asbestos-containing products

► Final liability also depends on:

  ► Closed With Indemnity Payment ratios ("CWIP")

  ► Severity

► Defendants expect a decrease in CWIP ratio

► Impact of Garlock decision

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Q&A

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