



# Willis Towers Watson

Asbestos and  
environmental update – what have we learned

Presented by:  
Sandy Santomenno

September 17, 2019

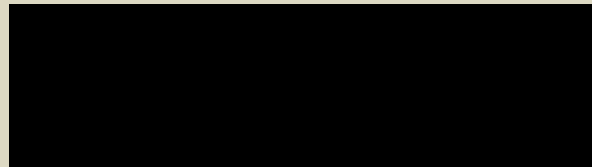
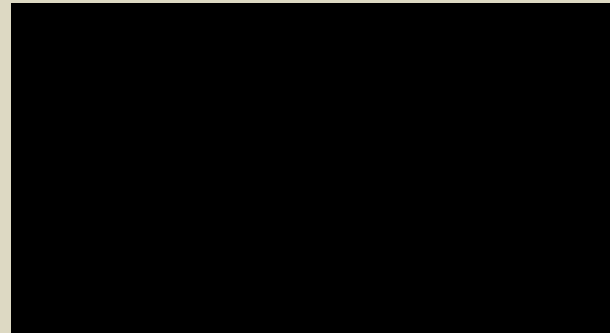
# Agenda

## **Key considerations in evaluating asbestos and environmental liabilities**

- Asbestos claim statistics, disease incidence and claiming rates
- Environmental claims amidst EPA/administration changes
- The risk-transfer solution

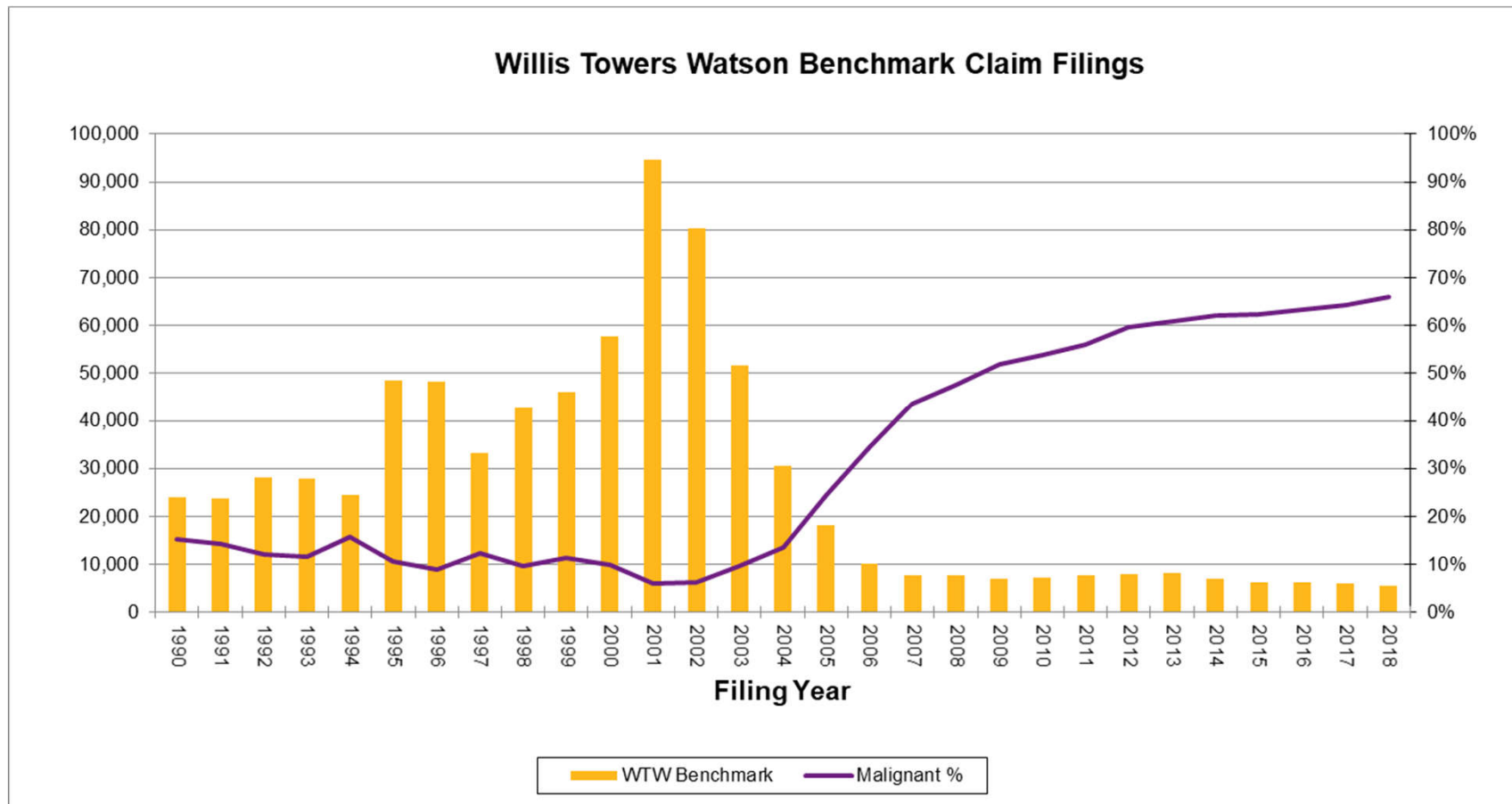
# Asbestos

## Claim statistics



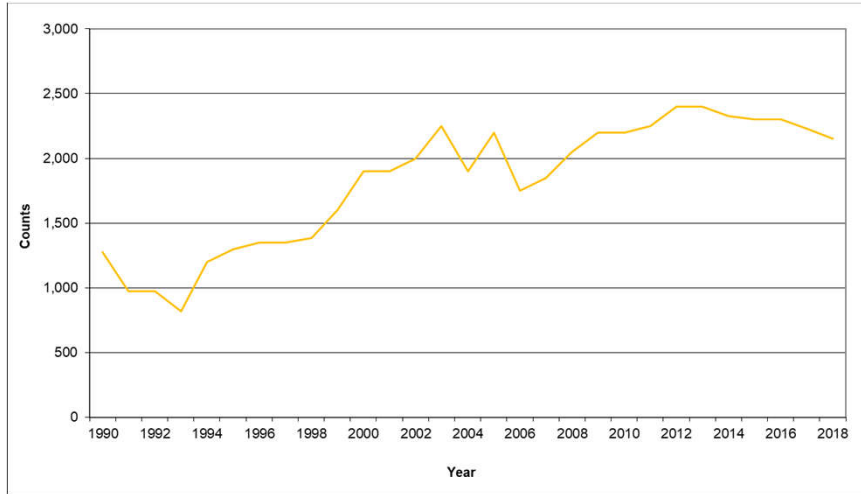
# Asbestos claim filings over the years

- Rate of new claim filings is down, but composition has changed
  - Currently about 2/3 of new claim filings are malignant, compared to <10% in 2000-03

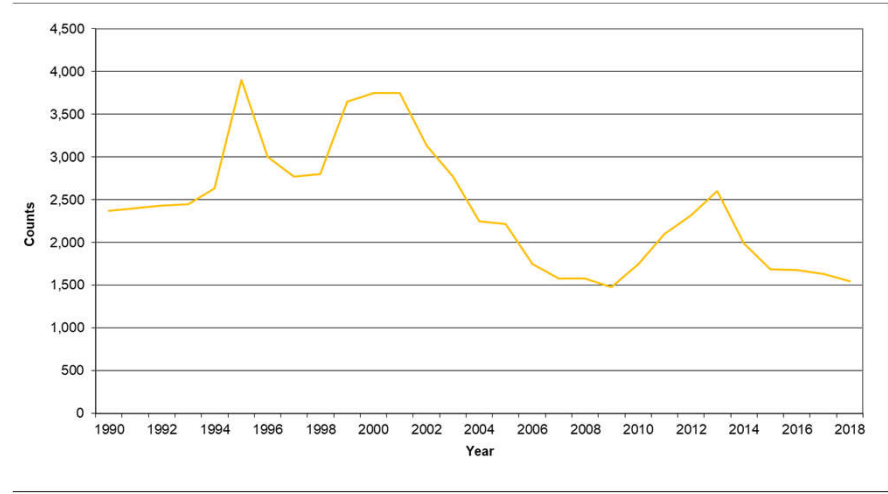


# Asbestos claim filing trends vary by disease

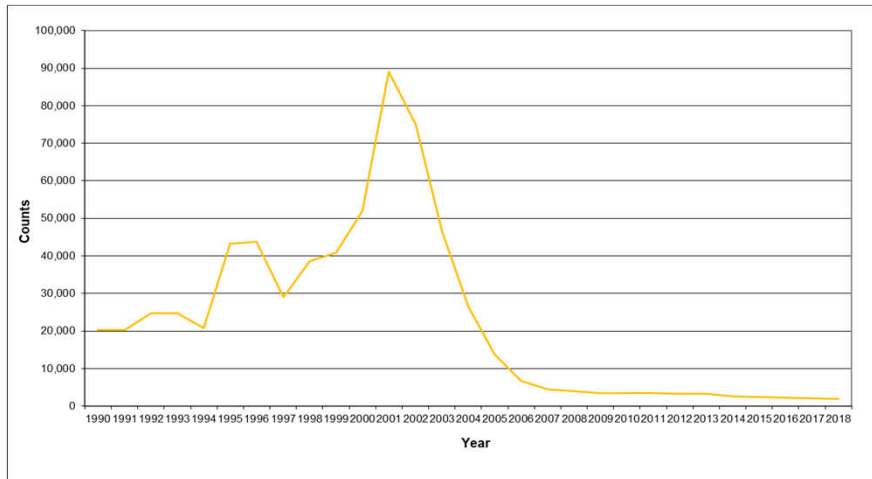
**Mesothelioma**



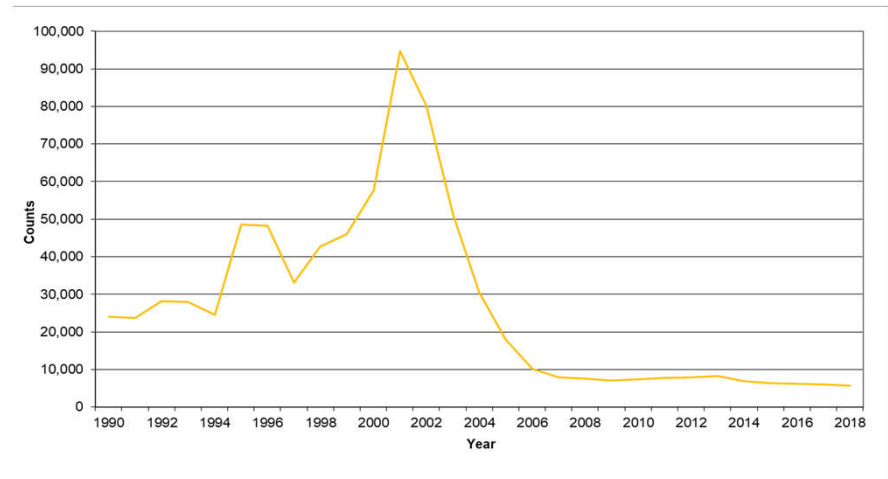
**Cancer**



**Nonmalignant**

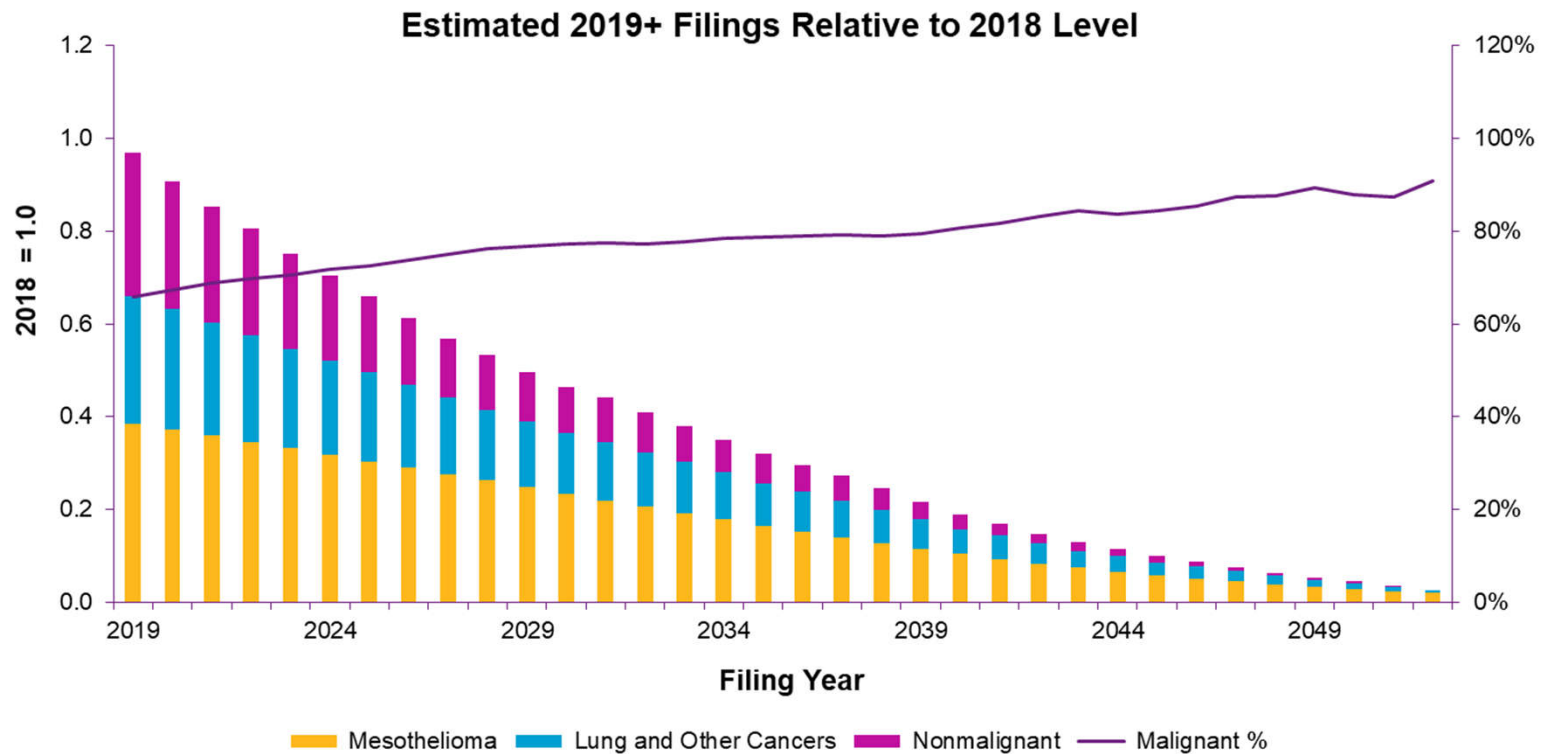


**Total**

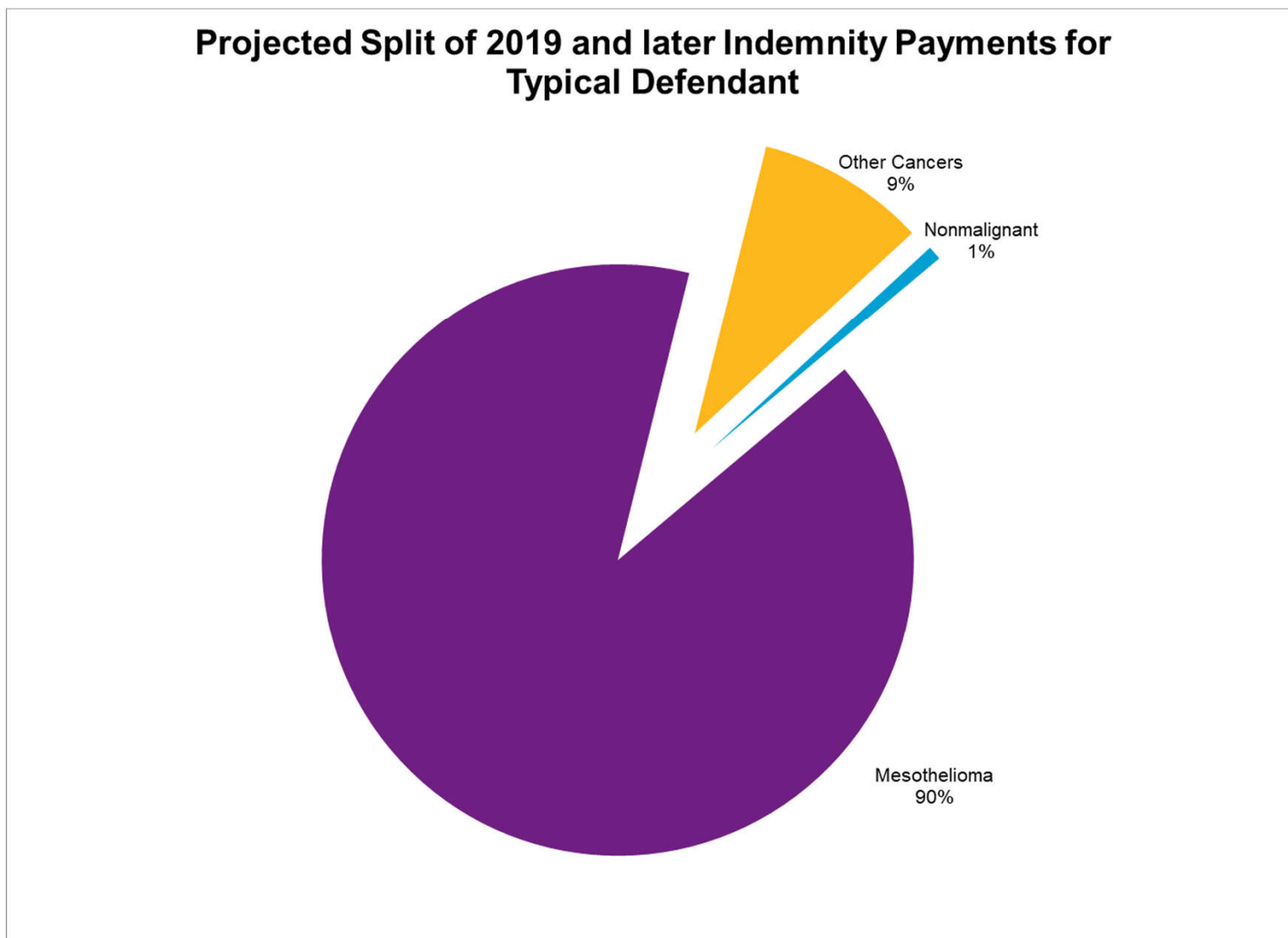


# Projected future asbestos claim filings

- 31,000 new mesothelioma claims in 2019 & subsequent
  - Half in the next nine years

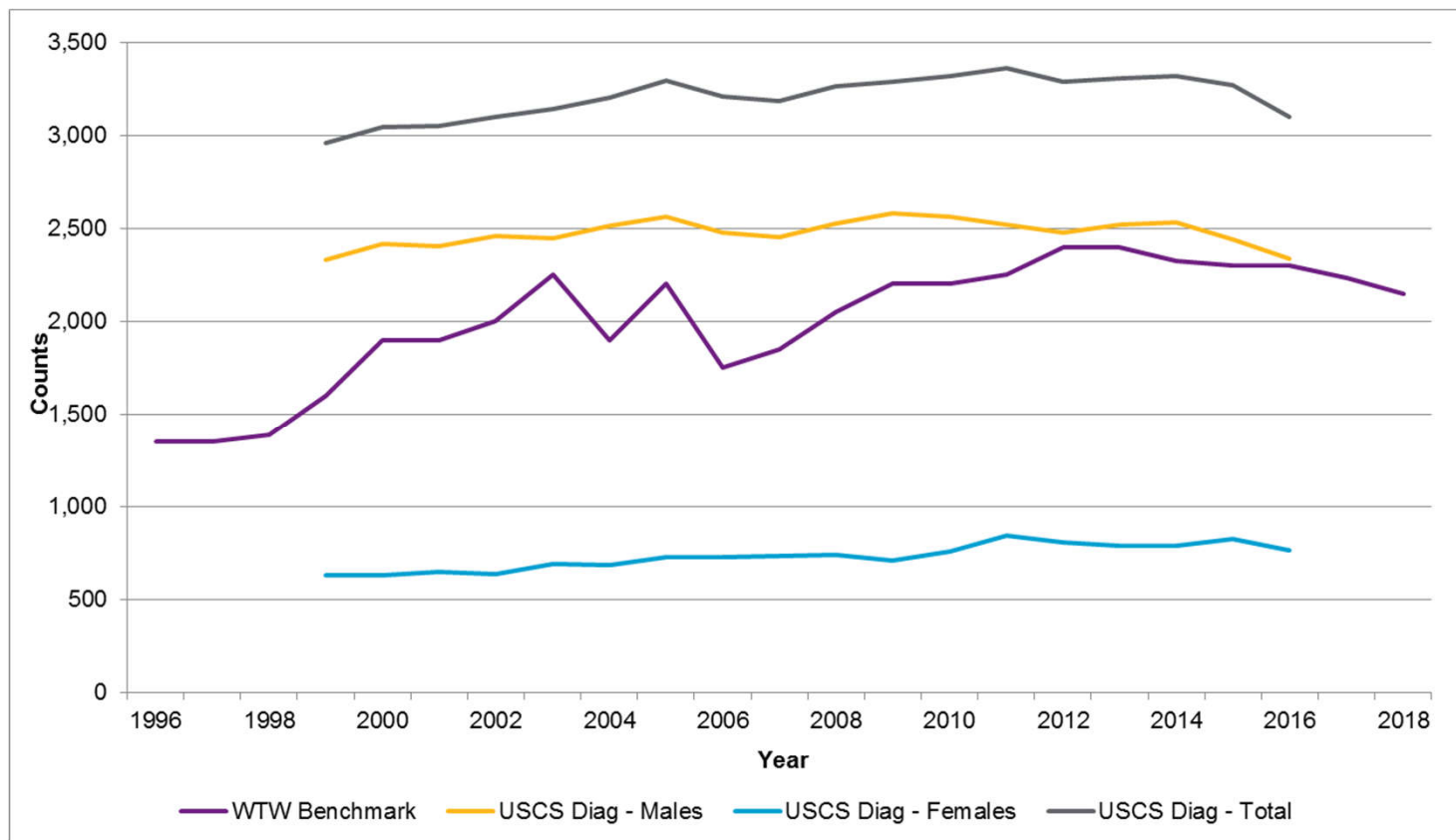


## Mesothelioma claims are the driver of future litigation costs



## Mesothelioma incidence and claim counts

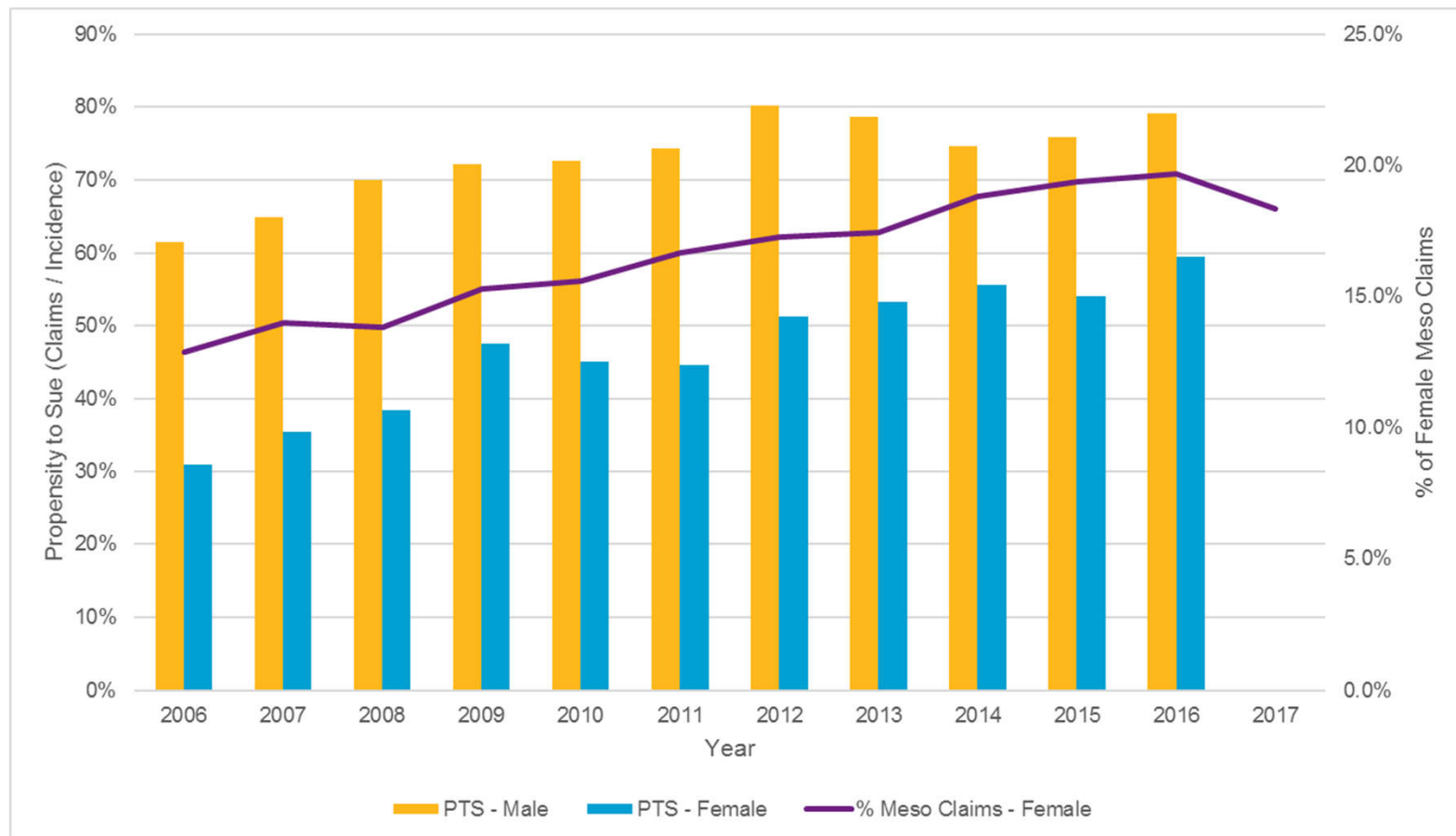
- Annual incidence (= diagnosis) counts have been nearly flat
  - Males generally decreasing and females generally increasing since 2009
- Claim filing counts have fluctuated due non-epidemiological factors
  - Increasing slightly since 2009 followed by small decreases after 2012





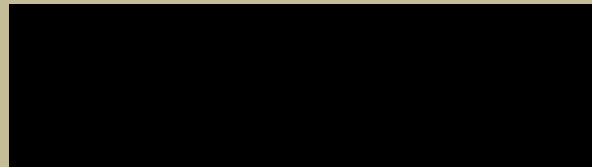
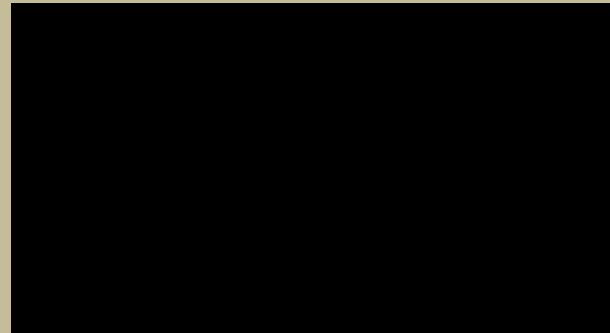
## Mesothelioma experience by gender

- Proportion of female meso claims has increased over time, approaching 20% in recent years
- For males - propensity to sue (PTS) over 75% in recent years so limited room for additional increases
- For females - PTS about 55% in recent years so there is more room for additional PTS increases

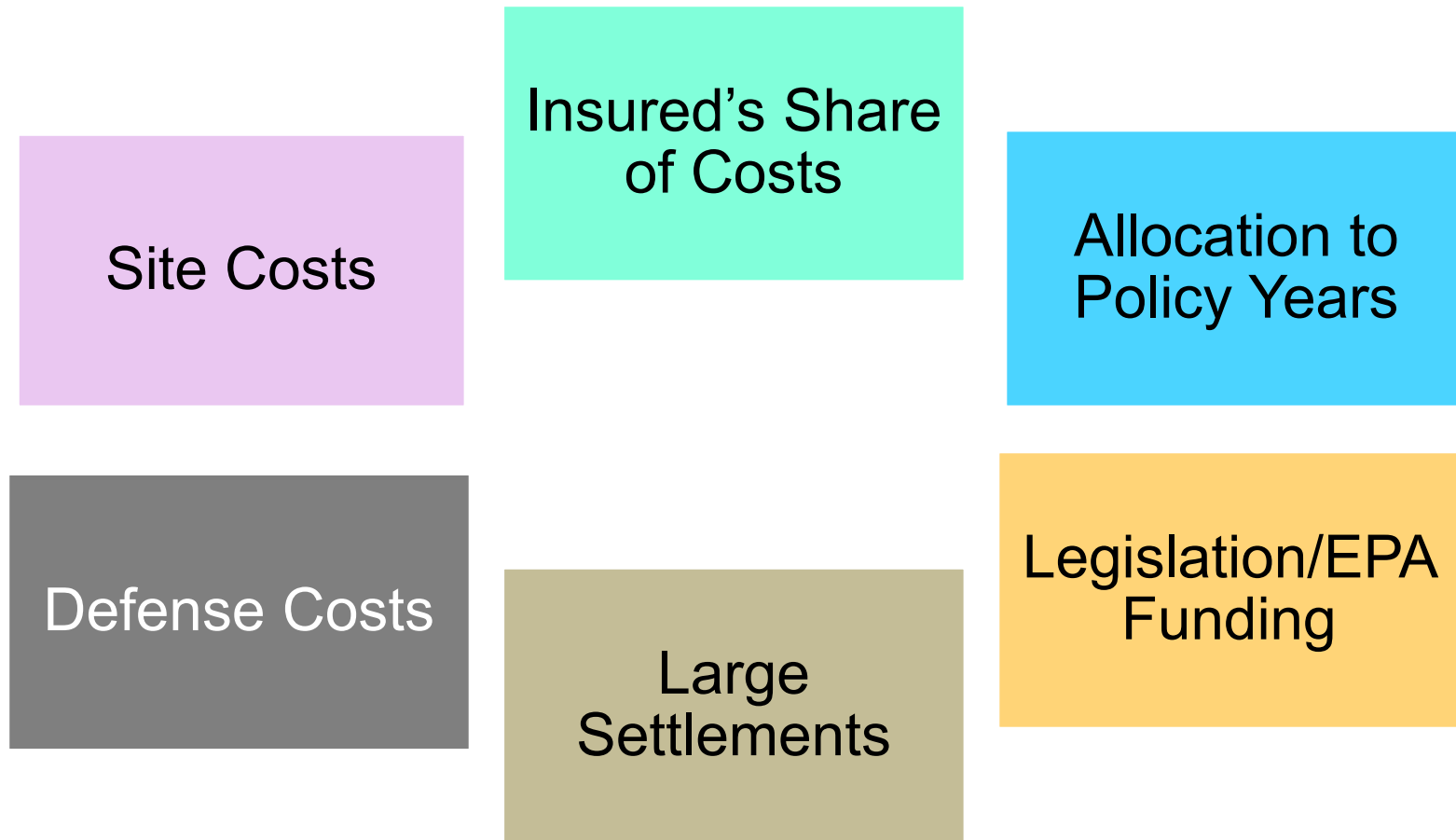


## Environmental:

Key considerations in evaluating liabilities  
and current EPA developments



## Key considerations in evaluating environmental liabilities



# Environmental: EPA and the Trump Administration

Positive Movements... but there are challenges...

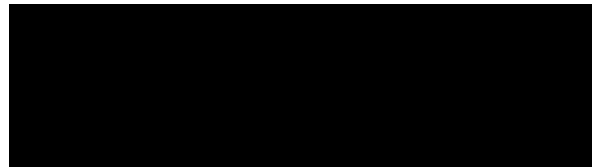
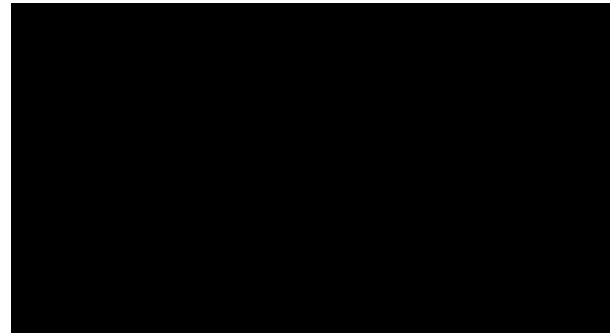
Upside

- Recently appointed EPA Administrator Andrew Wheeler continues to make Superfund a top priority
- EPA FY 2019 budget says that the agency would “accelerate the pace of cleanups” and make an additional 102 Superfund sites and 1,368 brownfield sites “ready for anticipated use” by September 30, 2019 .. Not aware of the progress
- Superfund was spared from a significant funding cut in the FY 2019 budget which may indicate a strong focus on this program
- In 2017, seven contaminated sites were eliminated (only two sites were removed the previous year)

- FY 2018 budget cut Superfund by 30%
- FY 2019 budget is a 6% cut from the last year of the Obama Administration
- FY 2019 proposed budget slashed staffing by 20% ... while Superfund funding was spared, many say that the EPA is ignoring the environmental justice enforcement component which receives no funding under the new proposal
- Associated Press (AP) reports that construction work hyped by EPA under Scott Pruitt’s leadership (removing soil or drilling wells to suck out contaminated groundwater) was completed years before

Downside

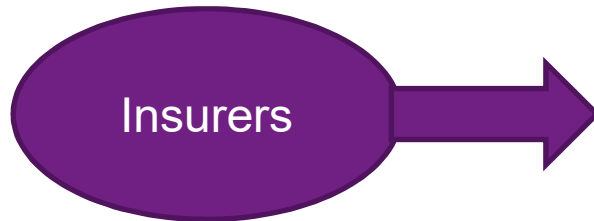
## Legacy Run-Off Markets



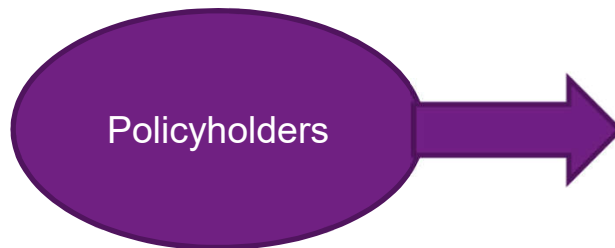
# Run-Off Markets



## Target Companies (those who want to de-risk)

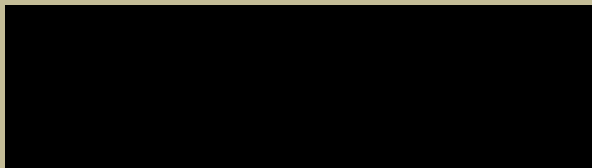
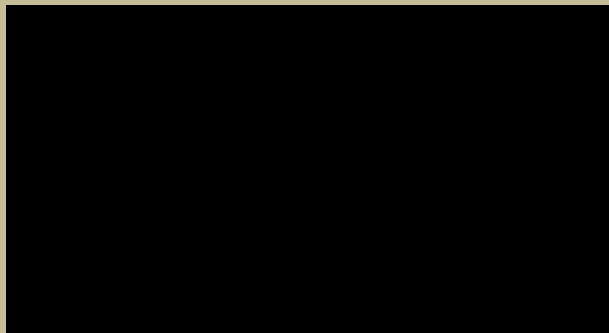


- Loss portfolio transfers (LPTs)
- Adverse development covers (ADCs)
- Multiple lines of business – inclusion of non-A&E legacy reserves allows for correlation benefit
- May or may not transfer claim handling



- Place asbestos liabilities into “BadCo” – supported by insurance assets if coverage is not exhausted
- Sell BadCo to run-off markets
- Perhaps add ADC for additional protection
- Transfer claims handling

# Appendix





# Willis Towers Watson A&E and legacy business services

- Estimation of Liabilities
  - Ground-up exposure-based analyses for (re)insurers using Willis Towers Watson's proprietary asbestos and environmental models
    - Reflect actual insurance limits exposed to A&E claims
    - Ground-up losses based on account specific parameterization or use of Willis Towers Watson benchmarks (e.g., asbestos defendants by asbestos tier and environmental database of PRPs and waste sites)
  - Aggregate projections for insurers and reinsurers
    - E.g., multiples of paid losses, ratios of IBNR-to-case reserves, market share
  - More rigorous individual account analyses for insurers or corporate asbestos defendants
    - Gross liabilities by disease and major jurisdiction; useful tool for monitoring actual versus expected experience
    - Alternative allocation analyses
  - Commutation analyses
  - Cessions and uncollectible provisions
- Methodology reviews
- Benchmarking services
- Risk transfer assistance

**Willis Towers Watson** 