

PPC 9477.1986(02)

CORPORATE GUARANTEE AS ALTERNATIVE MEANS TO  
MEET FINANCIAL REQUIREMENTS

OFFICE OF SOLID WASTE AND EMERGENCY RESPONSE

JAN 3 1986

Honorable Charles E. Grassley  
United States Senate  
Washington, D.C. 20510

Dear Senator Grassley:

Thank you for your letters of December 11, 1985, forwarding the November 15, 1985 comments from Mr. Russell C. Smith of Salsbury Laboratories. Mr. Smith suggested that the Agency consider a corporate guarantee from a parent corporation or an indemnity agreement or letter of credit as alternative means for meeting the financial responsibility requirements for liability coverage under the Resource Conservation and Recovery Act.

In the past, the Agency has not allowed a parent company to use the corporate guarantee to meet the requirements for liability coverage; we have been concerned that this use of the corporate guarantee might be declared an invalid practice of insurance under State insurance law. The Agency is now reconsidering its position, however. Over the next few months, we expect to promulgate regulations allowing the corporate guarantee where the hazardous waste facility has obtained a letter from the State Attorney General or from the State Insurance Commissioner, indicating that this is a valid practice under State law. In addition, the Agency intends to propose the use of indemnity agreements and letters of credit at a later time.

Please let me know if I can provide any further assistance.

Sincerely yours,

/s/ Jack McGraw  
J. Winston Porter  
Assistant Administrator

RO 12528