

PPC 9477.1986(04)

CREATION OF CAPTIVE INSURANCE COMPANIES TO
COMPLY WITH LIABILITY COVERAGE REQUIREMENTS

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

MAR 20 1986

Honorable F. James Sensenbrenner, Jr.
House of Representatives
Washington, D.C. 20515

Dear Mr. Sensenbrenner:

Thank you for your letter of February 18, 1986 on the
subject of liability insurance.

You are correct in stating that some industries have
chosen to comply with EPA's liability requirement by establishing
captive insurance companies. The National Solid Waste Management
Association and the Synthetic Organic Chemical Manufacturers
Association represent two such industries. However, we believe
these additional suppliers of insurance would add to competition
in the insurance marketplace, rather than create a monopoly.

Second, the Agency has recently contacted all insurance
companies known to have been involved in the environmental
impairment liability market. I have enclosed a list of all
companies who were willing to be named as potential suppliers of
environmental impairment liability coverage. Of course, it is
possible that not all companies named would be able to supply
all coverage needed, but may be able to supply partial coverage.
This list was current as of January 24, 1986.

Finally, the Agency requires coverage for bodily injury or
property damage to third parties for hazardous waste facilities
in 40 CFR §264.147 and §265.147. The Superfund reauthorization
bills would not waive these provisions. You may have in mind
HR. 3917, passed December 16, 1985, which would provide limited
relief from the required financial responsibility certification
in Section 3005(e)(2) of the Resource Conservation and Recovery
Act (RCRA). However, the Agency does intend to amend the

RO 12586

-2-

financial responsibility regulation in the next few months to allow a corporate guarantee to satisfy this document. The Agency also will propose indemnity agreements and letters of credit at a later time.

Please let me know if I can be of any further assistance.

Sincerely,

Original Document signed

Lee M. Thomas

Enclosure